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# BUSINESS WEEK

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America goes to market, and 59% of its dollar goes for distribution costs (page 25).

BUSINESS  
INDICATOR

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**Bond Yields  
At New Low**

**GOVERNMENT BONDS  
PAY LESS THAN 3%**

**Investments  
Now Average  
2% Return**

*Here's* **AN INVESTMENT THAT  
AVERAGES 20% RETURN...**

• If you have funds idle for want of good investment opportunities—if you find a fair profit margin hard to maintain—here's important news. Owners of new Warner & Swasey Turret Lathes average 20% profit on their investment in these new tools. Here are the savings that make such a return possible. Think what they would mean in your metal turning department:

- Scrap loss reduced, often eliminated—with savings in material as high as 30%.
- Greater accuracy of product turned—which means less finishing, less work in succeeding operations, lower cost of assembly.
- Down time reduced because the greater simplicity in design of the new Warner & Swasey assures longer, more accurate life.
- Direct cost of turning cut as much as 50% because of greater speed and power of the new Warner & Swasey.
- More satisfied workmen because the new machine is so much easier to use.

Remember that you can know in advance what a Warner & Swasey would earn for you. Our field engineers will be glad to study your operation and show you in provable figures what you, too, can earn on your investment.

For Profits  
**MACHINE  
TOOL SHOW**  
Cleveland  
October 4 to 13, 1939

**WARNER  
&  
SWASEY**  
Turret Lathes  
Cleveland

**YOU CAN TURN IT BETTER, FASTER, FOR LESS... WITH A WARNER & SWASEY**

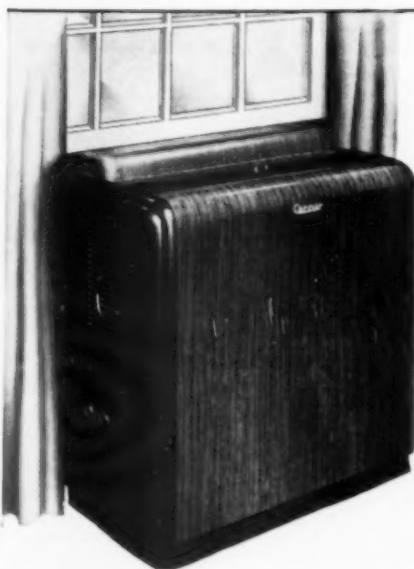


**FREDRIC MARCH and  
FLORENCE ELDRIDGE**  
say...



# "IT'S THE *American Way*"

Famous Stars of Broadway Success Enjoy  
Cool Comfort in Theatre and Home



• "Summer discomfort? We've forgotten it completely!" say Mr. and Mrs. Fredric March, stars of the biggest hit on Broadway. "Our Carrier Room Air Conditioner has brought us an entirely new "American Way" of living—by letting us forget the heat and humidity, and live in clean, quiet comfort!"

New in style, in performance and economy, the new 1939 Carrier Room Air Conditioner brings to the Marchs' apartment the same perfect comfort as the great Carrier System in the Center Theatre, where the "American Way" is produced. It provides the same control of "indoor

weather"—keeps the air cool and dry...filters away dust...shuts out noise...gently circulates the air.

In your home or office, you can enjoy the same comfort with the 1939 Carrier Room Air Conditioner. Prices are lowest in Carrier history—and new Carrier developments have reduced operating costs drastically. In fact, you can live in air conditioned comfort all day, for the cost of a cooling drink!

Ask your Carrier dealer about the Carrier Room Air Conditioner, and the small down payment that immediately places either model in your home or office—today.

## The AirConditioner that's ENTIRELY NEW

- New Designs—by famous Lurelle Guild
- New Models—2 sizes, for large space or small
- New Features—such as Smoke Exhaust to clear room of stale air and smoke
- New Performance—greater cooling capacity
- New Prices—lowest in Carrier History



Visit the Carrier Igloo of Tomorrow  
—at the New York World's Fair

CARRIER CORP., Syracuse, N. Y., Desk 210  
"Weather Makers to the World!"  
In Canada—Box 1050, Station C, Toronto

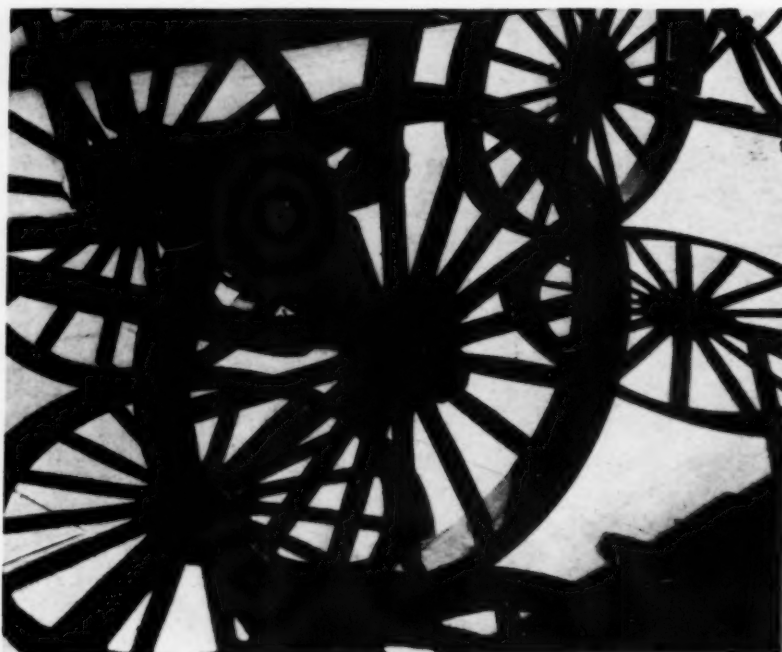
Without obligation, send me booklet and complete information on Carrier self-contained Air Conditioners for ☐ home; ☐ office; ☐ stores.

Name.....  
Address.....  
City..... State.....



# AFTER 10 YEARS' HARDEST USE

**'INCOR' CUT BOTH INITIAL AND ULTIMATE COSTS  
ON THIS CONCRETE STATION-PLATFORM**



**B**ACK IN 1929, Boston Terminal Company rebuilt platforms in South Station, using 'Incor' 24-Hour Cement. Heavy-duty concrete wearing-courses, placed one day, were ready for service the next. 'Incor' saved weeks of delay—earlier completion cut time costs or overhead to the bone.

'Incor' also produced longer-lasting, non-

dusting concrete, because this improved Portland cement cures thoroughly in the short time concrete can be kept wet on most jobs—a critical factor in concrete quality.

For 10 years, steel-tired baggage trucks have been grinding over this concrete, day and night . . . millions of people tread its surface. *Today, the 'Incor' concrete is as smooth and sound as the day it was placed.* Typical 'Incor' performance: (1) Lower first cost; (2) strong, dense, non-dusting concrete . . . reduced upkeep.

Use 'Incor' wherever 24-hour service strength and faster job curing show a profit; elsewhere, use Lone Star Cement, the Portland-cement quality standard ever since 1900. Written quality guarantee certificate with every shipment. Write for copy of "Cutting Concrete Costs." Lone Star Cement Corporation, Room 2208, 342 Madison Avenue, New York.

\*Reg. U. S. Pat. Off.



## LONE STAR CEMENT CORPORATION

MAKERS OF LONE STAR CEMENT • • • 'INCOR' 24-HOUR CEMENT

Sales Offices: ALBANY, BIRMINGHAM, BOSTON, CHICAGO, DALLAS, HOUSTON, INDIANAPOLIS, JACKSON, MISS., KANSAS CITY, NEW ORLEANS, NEW YORK, NORFOLK, PHILADELPHIA, ST. LOUIS, WASHINGTON, D. C.

## THIS BUSINESS WEEK



Cushing

From manufacturers, from wholesalers, from farmers commodities and merchandise come to these middle-class shops in Knoxville, Tenn. (on this week's cover). Thus America's goods go to market—in the final stage of the process of distribution—from retailer to ultimate consumer. But in the process, there has been a multiplicity of operations, all of which, in the considered opinion of the Twentieth Century Fund, have contributed to the high cost of distribution—a total of 59¢ out of every dollar the consumer spends (page 25). And if America is to widen the markets for goods, then the way to do it is to simplify the distribution process, since in that process is the biggest margin of saving. Nevertheless, the authors of the Fund's book, "Does Distribution Cost Too Much?" concede that a high distribution cost is the price America has to pay for the economies of mass production.

### Addenda

FIGURES for the first five months of 1939 show we are buying more abroad. Exporters now look for an early increase in foreign orders—page 10 . . . Topeka, Kan. gets a preview of "educational" advertisement soon to be run in 36 states by anti-chain group. The "Trade Independent" campaign—page 12 . . . Only one state passed a fair trade law this year, but 6 new states passed laws on "loss leader" selling—page 20.

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Department 738-STA

### The STENOTYPE COMPANY

4101 S. Michigan Avenue Chicago, Ill.

**FOR A MORE EFFICIENT STENOGRAPHER—ASK FOR A STENOTYPIST**

## KOPPERS AMERICAN BRONZE-IRON CYLINDER PACKING

### RUNNING AWAY AHEAD IN LOCOMOTIVE TESTS



BY COMBINING special bronze and cast iron in sectional packing for locomotive main cylinders, the American Hammered Piston Ring Division of Koppers enabled scores of railroads to get longer life for the packing, for the cylinders and for the pistons. The bronze segments smooth and burnish the cylinder wall and the cast iron segments are slow wearing against these mirror-like surfaces.



ONE RAILROAD in the East had been using the finest type of cast iron packing, but had never been able to get more than 35,000 miles from its packing.



AS A TEST, this road put the Koppers American Sectional Bronze-Iron Packing on three passenger locomotives. One of these has now run 45,000 miles, another 55,000 and a third 65,000 miles without renewal . . . and still going strong.

### LET KOPPERS SOLVE *Your* PROBLEMS

If you have any problem involving any of the fields for which Koppers makes products, let us solve it for you. Koppers products include: Coal and Coke, Coal Preparation Systems, Coke and Gas Plants, Purification and Recovery Equipment, Boiler and Industrial Electric Power Stations, Industrial Chemicals, Creosote, Municipal Incinerators, Castings, Special Machinery, American Hammered Piston Rings, D-H-S Bronze, Fast's Couplings, Materials-handling Systems, Pressure-treated Timber Products, Tarmac Road Tars, Roofing, Waterproofing, Bituminous-base Paints, Ships, Barges.

Koppers Company, Pittsburgh, Pa.

**K O P P E R S**

## NEW BUSINESS

### Sales Strut

BRISTOL-MYERS Co. is emphasizing what it calls "Mum's male market" . . . It says "more men buy, borrow, and steal Mum than any other deodorant."

A three-column "Big Hoss Swappin'" display classified ad was used by Fred Jones, auto dealer of Tulsa, Okla., to sell used cars . . . "Bring in your old Nag and Swap for one of these Registered Thoroughbreds," the ad urged; and here's one of the bargains: "Coming 3-year-old called Plymouth deluxe fordor—gray coat—very gentle—well shod—has stove and talking machine. Guaranteed sound, suitable for entire family. Registered No. 312, at only \$345."

Lord & Taylor, New York department store, is introducing "Underalls," a garment that is made of a knitted-rayon and silk mixture, has an open seat, reaches down to the top of the stocking, and is worn under the corset to prevent chafing and to protract the life of the corset.

### Colory

FROM JOHN YUELL, vice-president of Consolidated Freightways, Portland, Ore., we get a telegram disagreeing vigorously with Vernon Scobie, director of public and employee relations of the Great American Tea Co., whom we quoted on this page, July 15, as saying that trucks are getting into more accidents because of their generally drab color and that all trucks should be painted a standardized shade of yellow . . . "Records of the National Safety Council," Mr. Youell wires, "show that in the 10-year period ending 1937, truck accidents were reduced 15%, while passenger cars, whose colors are constantly being brightened, increased 47% . . . Trucks are by far the safest vehicles on the highway."

### Our Times

IF YOU CAN'T REMEMBER your auto license number, drive to your local Goodrich dealer and he will note your number and get you a key chain with a miniature metal license plate in the original colors, and with your own number and the name of your state on it . . . The plates are made by L. F. Grammes & Sons, Allentown, Pa., manufacturers of advertising specialties.

Insomniac New Yorkers can now get certain means of relief by phoning to Western Union, which, by arrangement with the "sleep shop" of Lewis & Conger, will send a messenger carrying a soporific herbal tea, a soporific bath powder with a bath thermometer, a soporific lotion, ear plugs, and eyeshades—all for \$3.75.

You can write to Lee Catt, physical education director of the Akron Y.M.C.A.,

for his two mimeographed booklets called "Picnic Suggestions," telling how to get organized, how to arrange finances, transportation, etc., for picnics large and small, how to hold treasure hunts, scavenger parties, and many other games.

### Busy Reader

"CHRISTMAS PACKAGING," a 16-page booklet, is issued by Hinde & Dauch Paper Co., Sandusky, O., as a reminder that now is the time to plan merchandise packages for next Christmas . . . The Plastics Department of du Pont, at Arlington, N. J., has begun publishing an illustrated periodical, *Plastics Bulletin*, sent free "to interested trade and business fields" . . . Carpenter Steel Co., Reading, Pa., is observing its semi-centennial by publishing a booklet, "Fifty Years of Progress," for distribution to its workers.

### Adhibitions

THE NUMBER OF INFECTIONS against which advertisers warn their readers are constantly increasing, and *Printer's Ink* gives this list of the more recent additions and of the advertisers: cactus face, Rolls Razor; candlelight skin, Vovox Skin Cream; closet claustrophobia, Tuscany Apartments; denture breath, Polident; dictionary squint, Winston Dictionary; dishpan housework hands, Mystic Hand Cream; 4 o'clock fag, Allen-A Underwear; 4 p.m. letdown, Alkalithia; gap-osis, Talon Fasteners; girdle bulge, Ivory Flakes; hole-i-toe-sis, Realsilk Hosiery; hot house legs, Cooper's Underwear; hot weather nerves, General Electric Fans; kitchen jitters, Red Cross Towels; mid-section sag, Bauer & Black Bracers; noise nerves, Acousti-Celotex; pianotosis, Wuritzer Pianos; pump bumps, Feet First Lotion; razor blade skin, Schick Razor; run-down blues, Malvaz; skin thirst, Outdoor Girl Powder; stale face, Perkiess Facial Pads; Suzy-Droopy-Itis, Gantner Floating Bra Swim Suits; tee-hee skin, Cuticura Soap; truck-itis, Hertz Leased Trucks; underarm odor, Arrid.

### What's New?

CELANESE CORP. OF AMERICA announces a process for the discharge printing of fabrics made with Celanese rayon yarns, thus opening the way "to a tremendous increase in the use of these fabrics," especially in street-wear garments for which fabrics with light-colored prints on dark grounds are preferred . . . The new process will be made available to users of Celanese Corp. yarns.

Slodent Products Corp., 330 W. 42nd St., N. Y., is introducing Slodent, a liquid dentifrice competing with Procter & Gamble Co.'s Teel and with Pepsodent Liquid Dentifrice.

## WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —With nearly all its real problems postponed—neutrality, tax revision, and amendments to the Labor Relations Act, to mention just a few—Congress is working toward adjournment. Nobody is happy about the record. Everybody hopes it will be very different next year.

### That Third Term Enigma

DESPITE EMPHATIC DENIALS, Republicans and conservative Democrats are edging into a coalition. In embryonic form, this alliance has already proved most effective half a dozen times in the House, more rarely in the Senate. It promises to get somewhere next session if the present political lineup dictated by Presidential election possibilities holds.

Everything will continue to depend on whether Roosevelt runs for a third term. But no announcement is expected until the session which meets in January gets well under way—perhaps not even until the convention starts balloting in June. Hence the prospect is good for continuance next session of the present loosely-knit coalition, with more and more Democrats crawling out on either the pro-third-term or anti-third-term limb. This will increase the bitterness and give to every legislative action more of a personal tinge—for or against Roosevelt.

### No Permanent Program

TRIMMING BY CONGRESS of the spend-lend bill will not cut the spending which was projected originally for 1940. Cuts in total authorizations come off the far end—two, three, or four years hence.

Prohibiting the President from using the money as a revolving fund strikes at a permanent lend-spending policy, for it will compel him to go to Congress again when present totals are all allocated rather than let him lend out again the money collected on the loans. This is a blow to the Eccles clique, which regarded the 1940 schedule of non-federal public works, rural electrification, toll highways, etc., merely as an entering wedge for a permanent spending policy which would lie outside the government's regular budget and cover a much wider scope of activity.

### When Lending Is Spending

YOU REALIZE, of course, that the program is not strictly self-liquidating. Some borrowers may undertake to repay the cost, but nothing requires that the project itself pay out. This opens the way to inclusion of a variety of projects which don't produce any—or at least not enough—income to pay their own way,

such as schools, hospitals, and airports.

Because of the elimination of the PWA 45% grant on non-federal public works, many local bodies probably will pass up the present offer of 100% loans, counting on Congress to restore the outright subsidy next year.

### Why Is Farley Out?

WHAT EVERY POLITICIAN outside the inner circle would like to figure out is why President Roosevelt has sidetracked such a grade-A political organizer as Jim Farley.

Everyone knows that the Corcoran and Cohen crowd, including Honest Harold Ickes, would like to banish Jim into outer darkness, and they know why—because the New Dealers don't believe Jim sympathizes with their economic objectives. Furthermore, they still resent Jim's cold disapproval of the purge.

But this fails to explain why the President did not overrule the Palace Guard, as he did in the McNutt appointment, and keep his political lieutenant's complete fealty. Farley will be a handy

friend for any candidate to have in the Democratic convention next year, not to mention the election to follow.

### Barden Boomerang

ADMINISTRATOR ELMER ANDREWS and House Committee Chairman Mary Norton—not to mention the American Federation of Labor—have had a lot of fun kicking around the Barden wage-hour amendments, but they are apt to regret it next session. Rep. Barden came to Washington from North Carolina as the most enthusiastic New Dealer you could find. He was still battling for everything Roosevelt wanted last summer when he was appointed to fill a vacancy on the TVA investigating committee. Now he is being driven over to the lines of that enemy which the Administration hates worse than the Republicans—the conservative Democrats.

### Weighed and Turned Down

ROOSEVELT'S TENDER of John Carmody's old post as REA Administrator—a seven-year job paying \$10,000 a year—to Rep. Lyndon Johnson of Texas is regarded by Lone Star politicians as proof that the President is trying to undermine Garner's hold on the state delegation at the next convention.

Johnson was not seeking the job—which makes Roosevelt's strategy all the more apparent—and, as a matter of fact, he turned it down July 25, after weighing the chances of his own re-election for several days.

Texans say he can come back to the House if he doesn't get burnt in a Roosevelt-Garner fight for the delegation.

### Demand Chain Probe

INDEPENDENT RETAILERS are working desperately to shove through a resolution calling for appointment of a committee to carry on an investigation of chain stores. It's the same group that supports the Patman chain store tax bill, and if they can get the House to agree to a witch-hunting chain store inquiry, they will have ammunition for use next session to blast the bill out of the Ways and Means Committee, where it is now securely lodged.

The hope seems to be just a hope and nothing more. Remember, the resolution which resulted in the first Patman chain store inquiry in 1935, preceding passage of the Robinson-Patman Act, was slipped through the House while Bert Snell, then minority leader, was off guard. It won't happen again.

### FAA Backs Down

BECAUSE Federal Alcohol Administration bigwigs have backed down, liquor will


### Crackdown on Japan

WASHINGTON, in denouncing the 28-year-old trade treaty with Japan, has taken the bold action in the Orient predicted by BUSINESS WEEK (BW—Jul 22 '39, p. 43).

Diplomatically, it means that the United States is preparing to act aggressively in protecting its rights in the Far East. Coming on the heels of the apparent British capitulation to Tokyo, it means there is a tacit understanding that Washington will attempt to keep order in the Orient, leaving London's hands free for concerted action nearer home.

Commercially, it means that, after the present U.S.-Japanese pact lapses next January, Washington is free to (1) withhold all tariff concessions—or impose new retaliatory duties—on goods from Nippon, (2) abandon present equality of treatment for Japanese nationals doing business here, (3) discriminate against Japanese shipping in retaliation for similar treatment of our vessels. It also would pave the way for an embargo, like the one proposed this spring by Sen. Pittman on all but food shipments to Japan, though Washington obviously hopes that conciliatory moves from Tokyo will make this unnecessary.





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... they have group insurance

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INSURANCE COMPANY  
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## MEMO TO THE ADVERTISER

To the man who has anything to sell to "commerce and industry" . . . *BUSINESS WEEK* is the only weekly publication that is itself sold in the same territories and through the same channels.

Editorially and circulation-wise *BUSINESS WEEK* parallels the distribution of goods and services manufactured for and sold to business.

**BUSINESS WEEK**

The Executive's Business

Paper

330 West 42nd Street, New York, N. Y.

continue to be bottled in "fifths" as well as quarts.

Importers, with the quiet support of the State Department, raised a howl last spring when FAA proposed to abolish the fifth as deceptive to consumers (*BW—May 6 '39, p. 36*). After hemming and hawing for three months, FAA has presented the industry with no new regulations.

### McNinch's New Berth

FRANK MCNINCH, chairman of the Communications Commission and head of Federal Power Commission before that, is scheduled to go to the Department of Justice—but not to continue his crusading.

This time it's a question of finding a soft berth for a valiant New Dealer whose health will not permit him to continue with anything strenuous.

### Deceptive Package Drive

AS PREDICTED (*BW—July 1 '39, p. 7*), the Food and Drug Administration has made its first seizures of deceptive packages, outlawed June 25 by the new law. Two seizures have been made to date, both of face powders in boxes said to be several times larger than necessary, with deeply indented bottoms. Both containers carried big names in the cosmetic industry—Max Factor and Bourjois—but actual packing was done by independent distributors. Inspectors report a sharp drop in the number of slack-filled and deceptive containers since June 25. Additional seizures are in prospect.

### Checking New Drugs

AFTER A YEAR'S EXPERIENCE with a little-publicized feature of its new law requiring approval of all new drugs, the Food and Drug Administration feels that it could justly proclaim that the country is safe from any repetition of the Elixir Sulfanilamide disaster of the fall of 1937, which resulted in deaths of nearly 100 people. It will not actually make such a proclamation, because official fingers must be kept crossed on matters of this kind.

However, F&DA records show that under the new law at least 50 products have been kept off the interstate market during the last year. Some of these were definitely dangerous to health, others fraudulent, others worthless. Manufacturers have voluntarily withdrawn applications when F&DA expressed skepticism.

### Ickes Tries Comeback

SEC. ICKES has taken another step up the ladder he hopes will carry him back to a measure of the Czardom he enjoyed over the oil industry under NRA—a place he has wistfully gazed upon ever since the Supreme Court slapped him down.

Early this year he engineered the National Resources Committee's report which recommended federal oil control,

### Better Data on Jobless

AS YOU KNOW, estimates of the number of unemployed have always been disputed. Recently, government statisticians were put on their mettle by Sen. Byrnes' proposal to base state WPA job quotas on a formula giving equal weight to population and unemployment. Although this provision was eliminated from the relief bill, the figure sharks are developing means which they hope will produce reliable monthly estimates both on the volume of employment and unemployment. It may be a year before they are satisfied that their figures will stand up.

In the meantime, the 1940 census will be used to determine, as of a given date, the number of employed, the number of jobless who have had jobs before, and the number seeking work for the first time, —figures, which together with wage, housing, and other data, are expected to portray the economic position of the people.

and this week the President acted on the report, calling Ickes and Congressional leaders to the White House for an oil confab. Result: a bill which will be "studied" during the recess by the Cole subcommittee of the House Commerce Committee which investigated the oil industry in 1934.

### To Determine Oil "Waste"

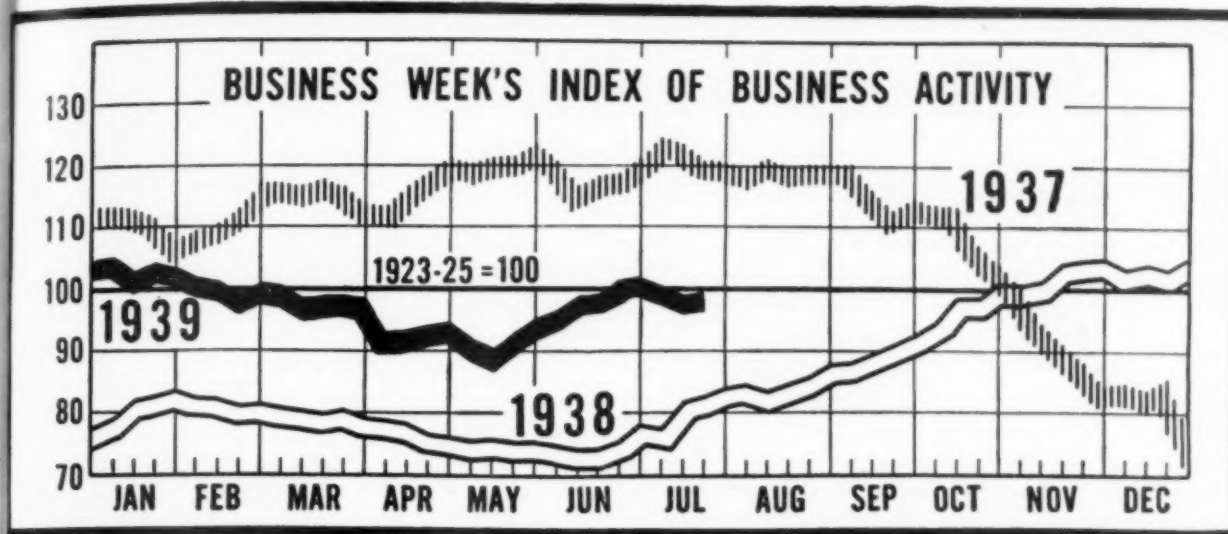
PROVISIONS OF THE BILL include consolidation of all federal activities affecting oil (*BW—May 27 '39, p. 8*) into an office of petroleum conservation in Ickes' department. This bureau would set standards of "waste" for all U. S. oil fields and prosecute producers whose output spilled over the standard.

To give the bill more teeth, it would broaden the Connally "hot" oil law to make "wastefully produced" oil just as "hot" for interstate shipment as oil produced in excess of state quotas is now.

### Navy Buys Steel Equipment

BECAUSE the lack of armor plate facilities threatens to delay naval shipbuilding, the Navy with an expected go-ahead signal from Congress will bite into its 1940 funds and buy \$6,000,000 of additional equipment for steel manufacturers. Armor plate mills have turned thumbs down on bearing the cost, because the equipment is so much excess baggage except for government orders. The Navy figures it eventually would have to pay indirectly so it has decided it might as well buy the facilities on its own account, then scrap or lease them when no longer needed. This plan, the Navy reasons, will keep bids lower and eliminate undue profit for the mills.

## THE FIGURES OF THE WEEK



## THE INDEX

## PRODUCTION

	Latest Week	Preceding Week	Month Ago	6 Months Ago	Year Ago
★ Steel Ingot Operations (% of capacity).....	60.6	56.4	54.3	51.2	37.0
★ Automobile Production .....	47,420	61,610	81,070	90,205	32,070
★ Residential Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$4,492	\$4,488	\$4,803	\$3,544	\$3,366
★ Engineering Construction Awards (Eng. News-Rec. 4-week daily av. in thousands).....	\$7,690	\$7,880	\$9,271	\$13,552	\$9,761
★ Electric Power Output (million kilowatt-hours).....	2,295	2,324	2,285	2,290	2,085
★ Crude Oil (daily average, 1,000 bbls.).....	3,584	3,530	3,453	3,264	3,349
★ Bituminous Coal (daily average, 1,000 tons).....	1,194	1,194	1,077	1,338	955

## TRADE

★ Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	68	69	69	62	63
★ All Other Carloadings (daily average, 1,000 cars).....	46	46	38	35	37
Check Payments (outside N. Y. City, millions).....	\$4,224	\$4,128	\$4,438	\$4,289	\$4,097
Money in Circulation (Wednesday series, millions).....	\$7,022	\$7,041	\$6,934	\$6,666	\$6,433
Department Store Sales (change from same week of preceding year).....	+5%	+2%	+6%	-3%	-8%

## PRICES (Average for the week)

Spot Commodity Index (Moody's, Dec. 31, 1931=100).....	141.0	142.0	142.8	143.0	147.8
Iron and Steel Composite (Steel, ton).....	\$35.86	\$35.85	\$35.72	\$36.37	\$36.30
Scrap Steel Composite (Iron Age, ton).....	\$15.13	\$15.04	\$14.71	\$15.00	\$14.08
Copper (electrolytic, Connecticut Valley, lb.).....	10.250¢	10.250¢	10.000¢	11.250¢	9.917¢
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$0.65	\$0.65	\$0.69	\$0.70	\$0.70
Sugar (raw, delivered New York, lb.).....	2.90¢	2.85¢	2.86¢	2.82¢	2.82¢
Cotton (middling, New York, lb.).....	9.53¢	9.63¢	9.92¢	9.05¢	8.84¢
Wool Tops (New York, lb.).....	\$0.877	\$0.876	\$0.838	\$0.853	\$0.838
Rubber (ribbed smoked sheets, New York, lb.).....	16.62¢	16.68¢	16.36¢	15.87¢	15.91¢

## FINANCE

Corporate Bond Yield (Standard Statistics, 45 issues).....	5.63%	5.64%	5.70%	5.78%	5.79%
U. S. Bond Yield (average of all issues due or callable after twelve years).....	2.16%	2.16%	2.16%	2.45%	2.52%
U. S. Treasury 3-to-5 year Note Yield.....	0.44%	0.45%	0.39%	0.63%	0.72%
Call Loans Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	1.00%
Prime Commercial Paper, 4-to-6 months, N. Y. City (prevailing rate).....	½-¾%	½-¾%	½-¾%	½-¾%	¾%
Business Failures (Dun & Bradstreet, number).....	200	212	264	292	215

## BANKING (Millions of dollars)

Demand Deposits Adjusted, reporting member banks.....	17,387	17,368	17,238	16,124	15,127
Total Loans and Investments, reporting member banks.....	22,025	22,023	21,923	21,439	20,618
Commercial and Agricultural Loans, reporting member banks.....	3,693	3,887	3,623	3,789	3,878
Securities Loans, reporting member banks.....	1,143	1,174	1,203	1,369	1,201
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	10,664	10,646	10,531	9,914	9,318
Other Securities Held, reporting member banks.....	3,245	3,246	3,320	3,235	3,092
Excess Reserves, all member banks (Wednesday series).....	4,490	4,450	4,227	3,559	3,039
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,537	2,569	2,584	2,588	2,585

## STOCK MARKET (Average for the week)

50 Industrials, Price Index (Standard Statistics).....	116.9	114.7	109.8	120.2	124.3
20 Railroads, Price Index (Standard Statistics).....	29.3	28.2	26.8	30.4	31.3
20 Utilities, Price Index (Standard Statistics).....	70.8	68.7	66.3	67.5	63.7
90 Stocks, Price Index (Standard Statistics).....	96.0	94.0	90.0	97.8	100.0
Volume of Trading, N. Y. Stock Exchange (daily average, 1,000 shares).....	1,103	1,156	479	1,229	1,662

★ Factor in Business Week Index. \* Preliminary, week ended July 22nd. † Revised. ‡ Date for "Latest Week" on each series on request.



## "Oh, if Frank Ever Sees These..."

"... he'll cut my allowance! Why, today I wouldn't dream of paying prices like the ones on these old bills!"

DO you remember the things you bought, say, ten years ago—how inferior they were to today's goods in looks, in wearing quality, in the service they gave? But do you remember, too, how much more those manufactured articles cost then?

Since 1929, the average price of an electric refrigerator has come down from \$310 to \$175, that of an electric washer from \$112 to \$72; a 100-watt lamp from 35 to 15 cents. And like hundreds of other manufactured articles today, they perform better and cost less to operate than the older, higher-priced models.

Why? Because during these ten years American industry has improved its products, learned to make them less expensive so that more people can own them. That is why the American worker's *real* wage—his ability to buy the things he wants—is higher today than in 1929. Each reduction in the cost of the products he buys is, in effect, a "raise" for every purchaser.

General Electric scientists and engineers, by finding new ways for electricity to serve the needs of industry, are helping to provide us with still **MORE GOODS FOR MORE PEOPLE AT LESS COST.**

*G-E research and engineering have saved the public from ten to one hundred dollars for every dollar they have earned for General Electric*

# GENERAL ELECTRIC

90-129111



# B U S I N E S S W E E K

July 29, 1939

## THE BUSINESS OUTLOOK

**Steel rate rises above 60% of capacity, and soon the automobile industry can be expected to give big orders. Constructive business forces are in ascendency.**

THE OUTWARD MANIFESTATIONS of business conditions were decidedly mixed this week, and tended to obscure the fundamental influences working to maintain operations at current levels—or better. Automobile production dropped precipitously at a somewhat greater than seasonal rate; but steel operations bounded up to above the 60% of capacity level, continuing the generous series of advances since the July 4 holiday week. Unstable wheat, corn, and hog prices cast somber shadows on agricultural purchasing power, but stocks did a nice job of digesting their recent advances. Announcements of higher dividend payments by Westinghouse Electric and Ingersoll Rand, coupled with the better-than-expected second quarter profit-and-loss statement of United States Steel, lifted sentiment far above the half-point rise in the business index.

### Steel Demand Strong

Under ordinary circumstances, a 57½% jump in steel operations in three weeks would call for a letdown, but the current rate seems to be soundly supported by active demand. During the early months of the year, wholesalers and dealers permitted inventories to sink. When buying picked up from miscellaneous industries, particularly from manufacturers of household products, such as refrigerators and washing machines, it became urgent for (a) wholesalers and dealers to replenish stocks and (b) steel companies to step up output.

Right now, inventory building is playing its part in the operating rate, because warehouses are getting in their orders before the automobile rush. Even so, however, confidential figures suggest that actual new orders are not very much behind the rate of operations. And soon automobile specifications will be coming through to support or even raise the 60% operating level.

### Key Industry—Autos

Key to the steel rate and to business in general, is—as ever—the automobile industry. If it runs true to form, 1940 will be a good year—probably a better year than 1939, for the rule-of-thumb three-year automobile cycle calls for a

better year in 1939 and a still better year in 1940, following the poor year of 1938. Probable calendar year output of cars for '39 will be 3,500,000, which is far from the peaks of 5,600,000 in 1929 and 5,000,000 in 1937, but still is by no means unsatisfactory.

Incidentally registrations (which rarely drop) declined during 1938. (The only other years of decline were the depression ones of 1930 through 1933.) This carries the suggestion of a pent-up demand, and the recent buying spurts reported by dealers in both new and used cars indicate that 1940 might easily exceed 1939.

### In the Outlook



Harris & Evans

Congress this week turned the heat on the big "if" in the business outlook—the President's spend-and-lend program. Now that PWA and WPA wings have been clipped, the Administration has turned to "self-liquidating" projects to keep the federal investment in recovery at high levels. And here is Marriner S. Eccles, Federal Reserve Board chairman, explaining to the Senate Banking and Currency Committee why government investment is necessary as a supplement to private funds.

The General Motors trouble with the United Automobile Workers (C.I.O. wing), however, is a disconcerting influence at the moment—not because it has an immediate bearing on immediate business, but because of latent effects. There is talk in Detroit that this is merely preliminary sparring and that along in August or September, much larger strikes will be pulled.

Such timing, as any student of union strategy understands, would be opportune—for the tie-up would come just when it would do most damage, and therefore would be most effective in forcing the company to come to terms. Such a contingency is strictly speculative, and is noted because an auto strike is a contingent liability every business man will want to carry as a footnote to his mental balance sheet on business prospects.

### The Bearish Side

On the basis of an automobile strike, it is quite possible at present to make out a case for being bearish—but it requires an unlikely conjuncture of events. For instance, if, as the result of a Congressional snarl, the government's contribution to purchasing power were to slip off sharply as in the fall of 1936 and the spring of 1937; if agricultural prices continued to sag indefinitely, and cattle quotations slumped as have the grains; if the dip in residential building were to become protracted and turn into a real downtrend—if all those things were to happen in succession over the next few months, along with an automobile tie-up, and perhaps a war scare, the outlook could take a decided turn for the worse. But as yet, constructive forces are in the ascendency.

### Beware of Farm Prices

Moreover, it does not do at this stage of the game to become beguiled into bearishness by jittery wheat, cotton, and corn markets. No longer are prices in Chicago or Kansas City or New Orleans a sure guide to farm income—for a very simple reason: The government has taken the farmer out of the open market.

In wheat, for instance, farmers can borrow 80¢ a bu. as against the Chicago spot price of about 65¢; so naturally,

eligible farmers won't sell, but get cash by putting the grain up for a government loan. As for corn, no new loan value has been determined, but last year it was 57¢, and it's probable that this year it will be higher than the current market price of 40¢. And in cotton, the government loan holdover has so squeezed spot markets that farmers are far better off than futures prices indicate. Thus day-to-day fluctuations, instead of reflecting the trend of farm purchasing power, may actually be misleading.

### Rural Retail Trade

In fact, they may be just as misleading as the bullish implications of the Department of Commerce's rural sales index, which rose to a new high for the year in June—13% ahead of last June. This index, because it is based on the operations of Montgomery Ward; Sears, Roebuck; Chicago Mail Order, and J. C. Penney, has a decidedly bullish bias. These merchandisers have been getting a larger share of the rural markets; hence the index reflects their sales gains, rather than serving as an accurate, all-inclusive guide to rural retail business. The index, however, is not entirely off. As a result of substantial benefit payments, farm cash income has been ahead of 1938, and this naturally would be reflected in merchandising.

## Foreign Trade Reflects Upturn

**Figures now out show that we are buying more abroad and exporters look for early results in increased foreign orders.**

FOREIGN TRADE RETURNS support domestic indications of better business and strengthen the outlook at this point for an active fall and winter.

Imports reported for the first five months of 1939 are more than 12% above the totals for the same period a year ago. People are spending more on foreign goods for themselves, and industries are bringing in more raw materials. While furs and diamonds at the luxury end of the list show sizable gains, there are also big increases in utilitarian lines. Wool import totals are up from \$5,000,000 to \$20,000,000 this year and receipts are running heavy on cocoa and spices, lead, nickel, and tin. Silk is one import that's down in quantity, but rising prices have boosted its value above last year's level.

Exporters find that their business for the first five months ran about 13% behind last year's total for the same period but don't let the story go at that. Dur-

ing depressed 1938, they say, we curtailed purchases all around, with the result that a good many of our foreign neighbors have been short on dollar exchange. But beginning soon, they expect that situation to be improved by our larger purchases in 1939. This change should be reflected in bigger exports during the last half of this year and next spring.

### Farmer's Market Dwindles

Some individual export lines have already shown large gains—notably machine tools and airplanes, both affected by enormous war equipment orders from Europe and the Far East. In contrast, foreign sales of agricultural machinery, iron and steel scrap, coal and oil are down. Hardest hit has been the farmer. Grain exports dropped from \$123,000,000 in the first five months of last year to \$53,000,000 in the same period this year. Cotton shipments slipped from \$109,000,000 to \$62,000,000.

Heavier American buying is helping business in a number of countries. Boosts of at least 25% over last year are shown in our five-month purchases from Switzerland, the United Kingdom, the Soviet Union, and South Africa. We have more than doubled our buying in Australia and New Zealand, largely on wool.

Losers on American orders so far this year are the Philippine Islands, Sweden, Cuba, and British Malaya, the latter hit by a lag in rubber purchases the first part of the year.

### Some Increase Their Purchases

A few foreign markets are buying more from us this year than last. Biggest gain is in Palestine, where our exports are twice what they were a year ago. Colombia continues to increase her imports from us, as she has since the slump of 1932, and again shows up in the tables as one of our best markets in South America.

Mexico, despite all the complications over oil and silver, has upped this year's purchases in just about the same percentage as we have increased our buying of Mexican products. Spain's recuperative efforts are reflected in large purchases of American goods and, despite the war, China has jumped its 1938 demand for our goods by more than 15%. With these 1939 gains must be recorded declines—in exports to Ireland, Argentina, Germany, Poland, Canada, Chile, the Netherlands, and Cuba.

Here's what's happened in the flow of

### The New Dust Bowl—Nine Eastern States

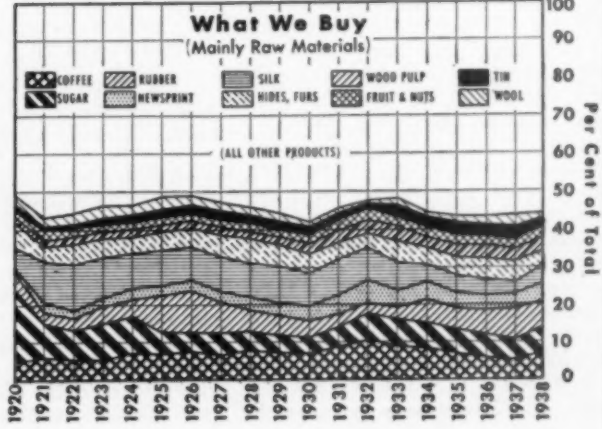
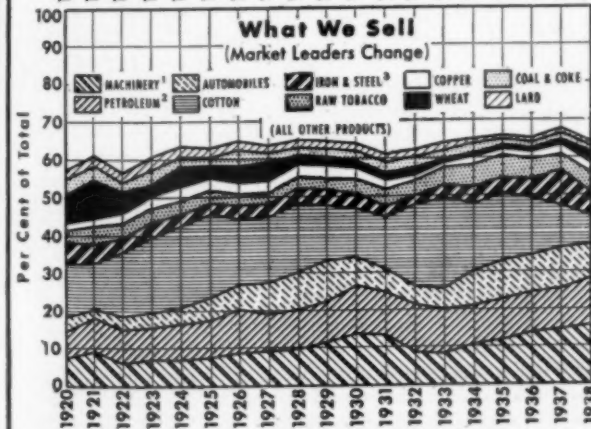
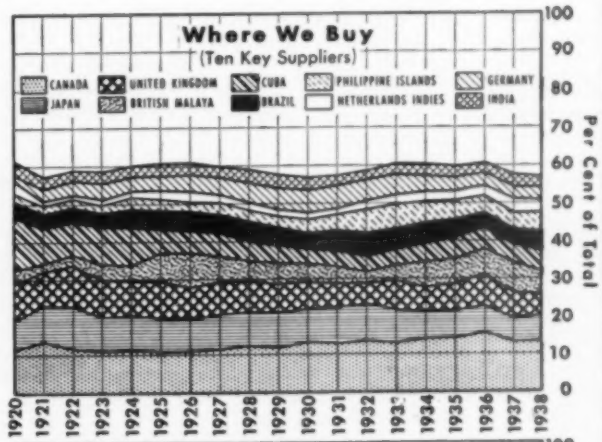
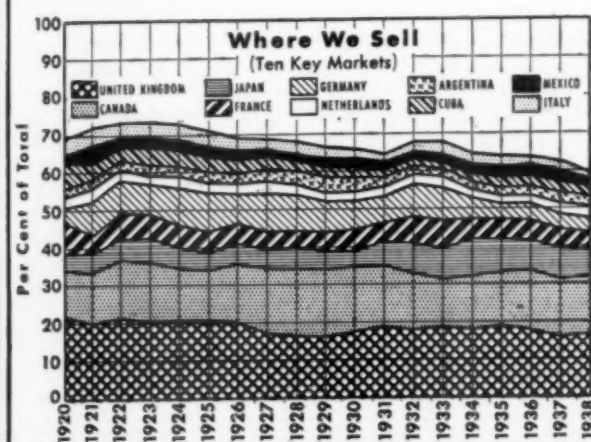
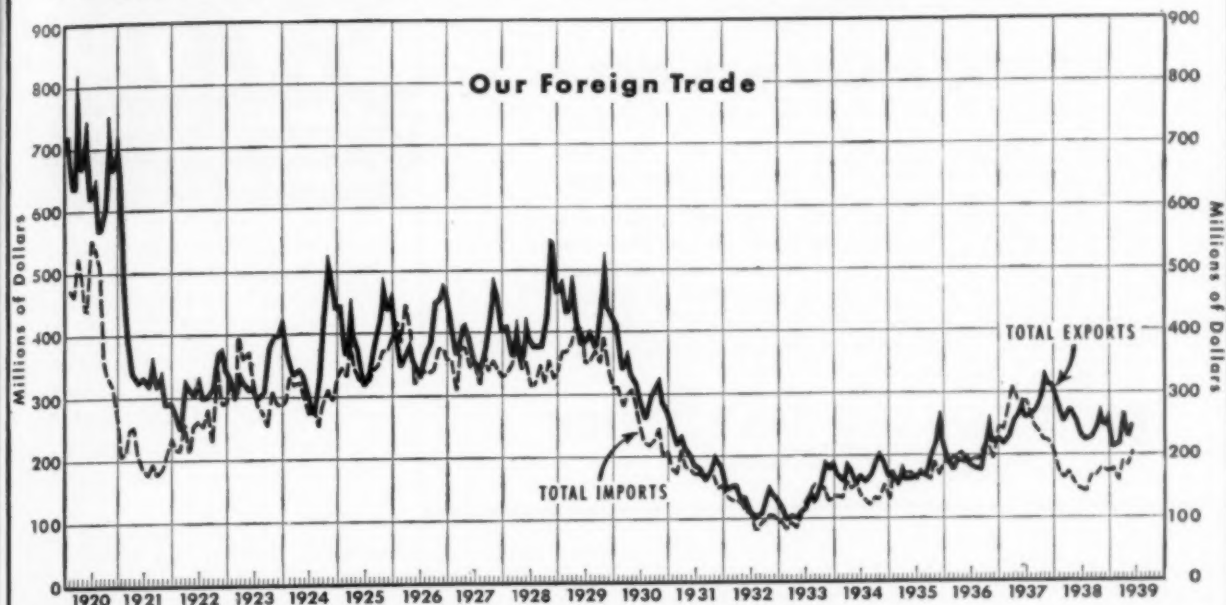


Northeastern states, suffering the driest July in history, this week struggled to feed and water their dairy herds which are the main source of farm income in this populous area. Above, Farmer Tom San-

derson of Vernon township, N. J., hauls water from a well for his cows. With pastures ruined, farmers are feeding hay normally stored for winter use—which probably spells higher prices for milk in the East.

# NEW NEEDS, NEW MARKETS

Foreign trade is constantly shifting. New products, new governments, new economic pressures—all affect it. Since the advent of rayon, we buy less silk, but more wood pulp. War scares everywhere make frightened governments rush to us for all kinds of machinery. Japan became a better customer of ours when it started to buy vast quantities of cotton for a booming textile industry. Hitler's trade policies pushed Germany from third to fifth place among our foreign customers.



1 Includes electrical, industrial, agricultural, printing, and office machinery.  
2 Includes all petroleum products.  
3 Includes only raw and semi-manufactures.

Data: Department of Commerce.





## DO YOU RECOGNIZE ME?

I creep like a Gila monster over valley, mountains and plain.  
I build no cities.  
I develop no farms.  
I erect no buildings.  
I construct no sewers or waterworks systems.  
I build no schools, support no churches, endow no hospitals, beautify no parks, serve no charities.  
I come only when others have builded, to garner the fruits of their efforts.  
I seek out no unprosperous places, but only those where prosperity reigns, that I may fallow off the well-being of the people.  
I have deceptive ways. Why shouldn't I? For I am not interested in the strangers among whom my lot is cast.  
What I take unto myself I send far off, that those who claim me as their own may pay large dividends and revel in luxury.  
I have no compassion for the bread-winner out of work. When he tells me his baby is sick, or his boy hungry, I have no interest in him or his, and why should I give him medicine or food, if he has not the money right now to lay down on the counter?  
I come to take, and not to give or help in any way.  
I curtail service. I will not deliver that which he purchases, nor extend one furthering of credit.  
Folks, I am the CHAIN STORE.

## FOOD DEALERS ASSOCIATION OF TOPEKA (AN INDEPENDENT ASSOCIATION)



Chain Stores raise your  
standard of living... by  
lowering your cost of living

In Topeka, Kansas, last week the chain stores got their first view of the "Trade Independent" campaign. Although independents have maintained the purpose of the campaign was educational, advertisements bitterly attacked the chains. This week the Kansas chains are fighting back, using their version of the "Spirit of '76."

the foreign trade of the United States to and from continents:

	1939	1938
	(5 months)	
Our exports to:	(000 omitted)	
All countries .....	\$1,179,369	\$1,358,062
North America .....	279,684	316,661
South America .....	114,527	135,252
Europe .....	485,599	581,722
Asia .....	220,791	233,120
Oceania .....	31,981	39,586
Africa .....	46,787	52,051
Our imports from:		
All countries .....	915,479	815,085
North America .....	226,010	205,958
South America .....	122,096	111,556
Europe .....	267,798	218,813
Asia .....	252,886	248,893
Oceania .....	12,276	5,608
Africa .....	34,414	24,257

### Japan Remains Good Customer

Many of the figures covering trade for the first part of this year reflect trends which have been developing over a long period. Canada and the United Kingdom remain our two best customers. (Canada's larger sales in our market are in almost direct proportion to Britain's losses.) Japan still holds on to third place as a buyer, despite the State Department's curtailment of airplane sales to the Nipponese this year, but her hold on our market has loosened with the decline in the silk business. Trade with Cuba again proves to be more or less determined by our quota of sugar imports from that island. Sales to Italy continue to languish, like those to Germany. In the last 10 years the Philippine Islands have become increasingly important suppliers of vegetable oils for our markets. The Netherlands Indies—with their coconut oil, spices, and petroleum—have strengthened their position here.

Most spectacular change in our long-term export trend is the dwindling importance of raw cotton shipments to foreign countries. From 24% of our exports in 1933, cotton dropped to 7½% last year, and the decline is continuing in 1939. Machinery, on the other hand, is of increasing importance. From 7.3% of our exports in 1920, it had grown to 16% last year, and export sales volume is continuing in many lines this year. As with cotton, lard exports are shrinking under the pressure of agricultural self-sufficiency programs in other countries and of our own higher production costs. Wheat exports are suffering the same fate. The United States apparently must specialize in industrial raw materials or manufactured goods if it is to succeed in maintaining its place in world export markets over the long term.

## Anti-Chain Ad Blast

"Trade Independent" drive gets preview in Topeka. But chains answer vigorously.

LAST APRIL the National Association of Retail Grocers, temporarily checked in its drive for chain store taxation by the sudden lack of enthusiasm in both state legislatures and Congress, decided to push a national "Trade Independent" campaign.

Originally the campaign was labeled "educational." By newspaper, radio, and public speakers the consumer was to be told the dollar-and-cents advantage of buying from independents. There was to be no deliberate anti-chain propaganda.

Presumably, that approach excluded the temptation to hit below the belt in the war between chains and independents.

Last week chain stores in earnestly anti-chain Topeka, Kan., were treated to a preview of the "Trade Independent" drive about to begin in 36 states. The chains got a somewhat wry laugh from the definition given to "educational." A series of newspaper ads bombarded Mrs. Housewife as she wavered between a purchase in the local independent or in the competing chain. She was told that the chains were "un-American," that their merchandising methods were "dishonest"; that their buying methods lowered prices to farmers; that unemployment and relief problems would be solved if she traded with independents.

### Chains Marshal Their Arguments

This week the fight was on as the Kansas City Chain Store Association countered with advertising telling the chain story. This story says that their stores paid cash for \$43,000,000 worth of Kansas produce at fair prices last year; that they employed 12,000 Kansans, saved the Kansas consumer \$10,000,000 by passing on savings from various economies, and paid \$10,000,000 to local people for rent and maintenance.

While chains in Kansas fought their own battles, the National Association of Food Chains in Washington remained aloof and waited for the voluntary chains to scuttle the "Trade Independent" movement. Voluntary chains had supported an educational campaign to boost the independent business man. But bald anti-chain propaganda might come home to roost; there has been a marked tendency

on the part of courts and the public to put voluntaries in the same category as corporate chains. At least this is the opinion of the Cooperative Food Distributors of America, affiliated with the sprawling National Retailer-Owned Grocers.

The "Trade Independent" drive is financed by a system of assessments on retailers, some of the assessments being matched by wholesalers. Part of the money is raised by having the wholesaler add 13¢ each week to the retailer's invoice.

A comprehensive scheme to arouse local patriotism against the "foreign" chains, allegedly drafted by a Chicago advertising agency, is supplied by N.A.R.G. Once the campaign hits a city, a mass meeting is put on. Local independents hire a hall, and drape it with pictures of a revolutionary life and drum corps alongside the slogan "Independence Made America." The assembly sings "America," listens to a radio recording extolling the spirit that led on the pioneers, and recites the "Declaration of the Independent." And then the hat is passed.

## Clip Anti-Picket Law

**California judges rule that three important provisions are unconstitutional.**

THE HIGHLY CONTROVERSIAL Los Angeles anti-picketing ordinance, principal weapon of the city's open shop forces (BW—Jun 24 '39, p. 28), was on its way this week to a final showdown in the

courts. Three principal provisions of the law have been held invalid by the appellate division of the California Superior Court. City attorneys decided early this week to appeal to the state Supreme Court to sustain the law, which the Los Angeles Times credits with reducing number of strikes from six to one per month during the first four months of its existence, the losses in wages due to strikes from \$78,537 to \$5,858 a month, and the number of strikes from 685 to 51.

## Minority Has Right to Picket

The three-judge court unanimously branded as "arbitrary and discriminatory" the parts of the law which forbid picketing (1) by other than employees of the plant picketed, (2) by persons who have been employed less than 30 days, (3) in a case of a strike, unless it was voted by a majority of employees.

In substance, the decision holds that an employee is an employee no matter how long or short his tenure and that a minority has the same right to strike (and picket) as a majority.

Declaring that the purpose of the law is to prevent street obstruction and intimidation, the judges concluded that they saw "nothing in reason to suggest that pickets at a place where a minority of employees are on strike will be any more given to violence . . . than those where a majority strike."

Judge B. Rey Schauer went further than his colleagues and, in a separate opinion, attacked the basis of the entire law. He maintained that principal purpose of a strike is to advertise a dispute between an employer and employees and

that to interfere with this purpose would be to interfere with the rights of free speech, free press, and free assemblage. This view, incidentally, coincides with the stand taken by Oregon unions in appeals to the courts for invalidation of that state's anti-picketing law, appeals which were turned down recently by the Circuit Court there (BW—Jul 15 '39, p. 43).

The Los Angeles court's action reversed a municipal judge's ruling in two test cases of *People vs. Charles Gidaly* (Culinary Workers' Union) and *People vs. Paula Aragon* (International Ladies' Garment Workers Union).

Should the ordinance finally be knocked out by the courts, there's no doubt the unions' "assault on open shop Los Angeles" would gain momentum. Meanwhile, unions probably will have another chance to get rid of the law at a special election next November, maybe the same one at which California voters will decide the fate of the \$30 Thursday pension proposal.

## FDIC Sells Realty

**Deposit insurance agency has a big job as it disposes of enormous holdings.**

FOR SALE: Golf course in Michigan City; motion picture theaters in many cities and towns; clubs (fraternal and night); variety of commercial, industrial, and residential properties; unimproved real estate. Apply Federal Deposit Insurance Corp., Washington, D. C. (Terms—cash preferred; payments may be arranged.)

That's a glimpse of the real estate problem which the FDIC inherits as it pays off depositors in closed banks or bails out the sticky assets of banks which it can merge to keep them alive. All told, the federal agency, which insures depositors in all its member banks up to \$5,000 each, has taken over a little less than \$40,000,000 worth of real estate exclusive of mortgages. Most of the total has been acquired during the last six months in a cleanup of messy banking situations in and around Jersey City and Camden, N. J.

## Eases Liquidation of Assets

When the FDIC man walks in on a foreclosure sale and bids in a Jersey City hotel for a C note, it may sound like a rare bargain, but don't forget that FDIC already had about \$1,000,000 sunk in the property. And when Leo T. Crowley's boys take over—and resell to the town—a girls' school in Mansfield, La., it may sound funny, but it's all in a day's work.

The FDIC approaches liquidation of banks' assets with the idea of blending conservatism with opportunism, and, withal, of preventing disturbance to the business life of the community. Time was, before the birth of FDIC on Jan. 1,

## Four-Blade Propellor



Hand in hand with the development of ever higher powered aircraft engines marches the development of propellers to handle their increased power output. Curtiss-Wright Corp., Clifton, N. J., claims an American "first" in its new four-bladed,

electrically controlled propeller, mounted here on a Curtiss P-36A pursuit plane belonging to the Army Air Corps. A four-bladed prop handles more power than a three blade of the same diameter, is applicable to transports and pursuit planes.

# FIRST HALF ROUNDUP

1939 compared with 1938

PRODUCTION		%	TRADE		%	PRICES		%
	Steel	+73	Check transactions		+4	Wholesale prices		-4
			N. Y. C.		+3	 Farm products		-6
	Automobiles	*+62	140 Cities		+5	 Food products		-5
Construction:			Carloadings		+8	 Hides and leather		-1
		+31	 Grain		-2	 Textiles		-1
	Residential	+62	 Livestock		-4	 Bldg. materials		-2
	Non-Residential	+19	 Coal and coke		+8	 Chemicals		-2
	Public works and utilities	+17	 Forest products		+6	 Metals		-2
Lumber		+20	 Ore		+62	Raw materials		-4
			 L. C. L.		+2	Semi-manufactures		-1
Electric power		+11	 MISC. Miscellaneous		+11	Finished products		-4
			Machine tool orders		+106	 Construction costs		-1
	Hard coal	+7	Cement shipments		*+22	Dep't store prices		-2
	Soft coal	+7	 Paint, varnish, lacquer sales		*+9	 Dep't store prices		-2
Petroleum		+3	 Passenger car sales		*+43	Cost of living		-2
			 Truck sales		*+27	 Food		-3
Oil wells drilled		-8	 Household refrigerator sales		*+40	 Housing		-1
Textile mill consumption			 Washing machine sales		+35	 Clothing		-4
			 Oil burner shipments		*+52	Fuel and light		-0.3
Cotton		+33	Retail trade			Sundries		-1
Silk		+1	Department store sales		+3	 Stock prices		+13
Wool		*+83	Variety sales (5¢-\$1)		+4	 Bond prices		+6
Rayon		+62	Rural sales		+12	 Farm income		+1
	Cigarettes	+5	Life insurance sales		+4	Dividends		-2
	Cigars	+6						
Factory employ'm't		*+5						
	Factory payrolls	*+14						

Business Week's Index of Business Activity +25%

\* Preliminary

© BUSINESS WEEK



"Unforeseen events . . . need not change and shape the course of man's affairs"



Householder's dog leaped on stranger, knocked him down, inflicted severe bites. Doctor's fee, attorneys, court costs—\$600.



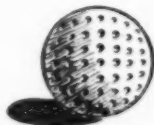
Neighbor's child, visiting householder, upset concrete flower box on porch, breaking child's leg. Doctor's services, hospitalization, cash settlement—\$750.



Householder's maid, washing second-floor windows, fell to ground, fracturing her hip. Court awarded—\$800.



In householder's absence, burglar paid visit, looted home of valuables and damaged premises considerably. Replacement cost, repairs—\$438.



Householder's golf ball, driven with more force than accuracy, struck another player, fractured his skull. Doctors, court action, award—\$750.



Heavy rainstorm, leakage through roof, water damaged wallpaper, ceiling, furniture, rugs, floors, woodwork, draperies. Repairs, temporary residence in hotel—\$1,000.

## It's always open season on householders

To the householder, unforeseen events happen with astonishing regularity. And the cost often is far in excess of the sums named above.

As a result, The Maryland issues a *single policy* that gives protection against most of the common hazards to which the householder is subject. A Personal Liability and Loss policy, it was promptly re-christened the "Peace of Mind" policy by clients.

Illustrated above are only a few of many occurrences that may disturb your peace of mind. With this policy, the financial responsibility is shifted from your shoulders to those of . . . Maryland Casualty Company, Baltimore.

## THE MARYLAND

*The Maryland writes more than 60 forms of Casualty Insurance and Surety Bonds. Over 10,000 Maryland agents are equipped to help you obtain protection against unforeseen events in business, industry and the home.*

1934, when receivers were pressed by depositors waiting for payment and felt they had to liquidate at a sacrifice. But FDIC pays off depositors at once. Therefore it feels Uncle Sam can wait out his market—can rehabilitate and lease properties until the market is right. Witness, for example, the way FDIC sat by with some residential property in Norfolk until the fleet came in and money was free and easy.

Of course, the FDIC doesn't always have its own way. It automatically is appointed receiver for its national banks, but state banking authorities sometimes want outsiders. Then too, some of its liquidation assets have grown whiskers before FDIC gets them, and rehabilitation for sale is a problem.

Nevertheless, officers of the corporation quickly undertook to set at rest any expectation that, when an insured bank was closed, the assets would be dumped. There has been no wholesale compromising or throwing overboard of assets. And bargain hunters have gradually learned not to look for forced liquidations.

So far, FDIC's investment income has taken care of deposit insurance losses. In 1938, it took in \$47,753,000. Of this, \$38,313,000 represented insurance "premiums" or assessments paid by insured banks at  $\frac{1}{2}\%$  of average annual deposits. The remaining \$9,440,000 represents interest earned on the government bond portfolio, less reserves for amortization of premiums. Deposit insurance losses and expenses were \$8,697,000, administrative costs \$3,012,000. Surplus of income over outgo from 1934 to last Dec. 31 has been \$131,244,000.

### Taxing the Tied Dealers

LAST WEEK the cloud cast over chain store taxation by efforts of Colorado to apply its levy to automobile and oil companies operating outlets in that state (*BW—Jul 15 '39, p.8*) spread to Texas. Attorney General Gerald C. Mann ruled that the Firestone Tire and Rubber Co. "budget control" plant stores were liable to the state chain store tax even though independently-owned. His opinion said that the rubber company had an arrangement with these dealers that gave it control over the outlets as effectively as if it were operating its own stores.

## The Greenbelt Cooperatives Get Into the Black

Consolidated income of the six retail enterprises shows profit in first quarter.

	Quarter ended 3/31/39	Quarter ended 3/31/38	Year ended 12/31/38	Total from 10/3/37 to 3/31/39**
Gross Sales .....	\$81,208	\$29,317	\$235,436	\$329,001
Cost of Goods Sold.....	58,784	23,418	177,712	246,871
Other Selling Expenses...	18,440	5,346	50,698	71,929
Administrative Expense...	2,720	2,631	11,010	17,052
Promotional Expense.....	753	1,028	3,736	5,755
Operating Profit or Deficit.	511	3,106†	7,720†	12,586†
Other Income* .....	502	132	1,093	1,776
Net Profit or Deficit.....	\$1,013	\$2,974†	\$6,627†	\$10,810†

\* Represents mainly dividends on purchases from co-operative wholesalers

\*\* Includes last quarter of 1937

† Deficits

## Co-op Transfer

**Government housing project in Maryland will take over Filene's stores, now in the black.**

WASHINGTON (*Business Week Bureau*)—Residents of Greenbelt, Md., the government's housing project, are preparing to take over in October the co-op stores now operated by the Consumer Distribution Corp., an organization founded by the late Edward A. Filene. The cooperative enterprise which started in October, 1937, went from red to black in the first quarter of this year, showing a profit of 14¢ per \$1 of gross sales.

Greenbelt was built to house 885 families, and C.D.C.'s arrangement provided that when 443 families buy a \$10 share the corporation will sell out to them. The campaign has been under way three months. Up to June 30, 449 persons, representing 441 dwelling units, had subscribed for 552 shares, of which 154 have been completely paid for. C.D.C. will be paid off out of the sale of stock and the profits of future operations. The trust fund for this purpose now totals \$3,098.50. When the local co-op organization takes over, C.D.C. will offer it a management contract, which also includes a proviso that if the enterprise loses money in any three-month period, C.D.C. will resume full responsibility till it's on its feet again.

### Deficit Accumulated at Outset

The Greenbelt operation is disappointing to those who yearn ardently for its success but they look facts in the face.

The co-op venture started with a temporary food store in October, 1937, in a town of 15 families on assurances that the community would be full up by January, 1938. On that date 200 families were on hand. The permanent food store was opened in December, 1937, and the drug store in April, 1938, to serve the increasing number of people, but it was July, 1938, before the town was fully populated. The enterprise had piled up a deficit of \$9,534 by the time normal operation had fairly started a year ago. Since then the loss has been negligible, bringing the total up to \$10,810 at the end of March this year.

Greenbelt's nearness to Washington is a handicap. The cooperative spirit is flourishing but doesn't pass up bargains offered by chain stores which cover the metropolitan area like a blanket. The inhabitants are also short of cash and prone to take advantage of credit and delivery services which outside merchants extend.

### Food Store's Gross Sales Mount

The food store is the backbone of the whole business. This was to be expected, as the families are young, eat up a large per cent of their income, and after meeting the instalments on the furniture and other household furnishings, don't have much loose money left. The food store's gross has not yet climbed to the \$6,000 a week hoped for when it opened—it fluctuates between \$3,000 and \$5,000—but its experience refutes the contention stoutly maintained by some exponents of consumer co-ops that such enterprises are obliged to rely on oil, gas, and other long-margin items, instead of groceries.

To March 31, the food store has done twice the business of all the other units put together, grossing \$220,661, as compared with \$108,340 for the others (see table on this page). Consumer preference, which originally was equally divided between co-op and national brands, now favors co-op brands 2 to 1.

The food store grossed \$98,385 in the first half of this year, against \$60,350 in the first half and \$98,295 in the second half of last year. For the entire enterprise the gross sales in the first half of

## How Community's Co-ops Grew

Quarterly record of gross sales of six retail enterprises from their inception

	Fourth Quarter —1937—	First Quarter	Second Quarter	Third Quarter —1938—	Fourth Quarter	First Quarter —1939—
Food Store.....	\$11,310	\$26,616	\$33,734	\$48,288	\$50,007	\$50,706
Service Station.....	1,047	2,701	4,820	7,328	6,519	5,631
Drug Store .....	....	....	9,361	17,794	20,770	18,707
Barber Shop .....	....	....	598	1,028	1,105	1,075
Movie Theater .....	....	....	....	483	4,284	4,426
Valet Shop .....	....	....	....	....	....	663
TOTAL SALES.....	\$12,357	\$29,317	\$48,513	\$74,921	\$82,685	\$81,208

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# Now they sort Logs on Rubber

AND USE  $\frac{2}{3}$  LESS POWER!



You can do it better with  
Goodyear Rubber

**H**ANDLING pulp wood as it pours from the barking drums in a big paper mill is no cinch. The logs are wet, slippery, heavy and awkward. For many years chains were thought to be the only practical method of moving them down the sorting tables to the chippers. But a couple of years ago a Canadian mill superintendent had an idea and called in the G.T.M.—Goodyear Technical Man.

"Can do," said the G. T. M. after sizing up the job, and on his specification a specially built Goodyear belt was installed on the sorting table—in fact, the belt itself was a moving table armored with extra-

→  
Logs dump from barking drums  
onto Goodyear Log-Sorting Belt.

tough cover stock and double breakers to protect the carcass from damage.

After seeing this installation perform, many of Canada's largest mills have already changed over their sorting tables to Goodyear belts. Not only is the original cost less but maintenance is practically nil. And far more important, power

consumption is reduced as much as 66%—with *faster, quieter work!*

If you have a difficult materials-handling problem, let the G.T.M. show you how you can do it better with Goodyear rubber—with *similar savings*. Just write Goodyear, Akron, Ohio, or Los Angeles, California—or phone the nearest Goodyear Mechanical Rubber Goods Distributor.



Centennial of  
Charles Goodyear's  
discovery of vulcanization

THE GREATEST NAME

IN RUBBER

# GOODYEAR



# WASHINGTON BULLETIN

WASHINGTON (Business Week Bureau) —Congress will shoot some holes in F.D.R.'s \$2,560,000,000 self-liquidating loan program, but it will get by. Trading on Jesse Jones' reputation, he will break the back of opposition to "a Presidential pork barrel"—"a political slush fund in disguise."

Banker Jones has been reconciled to the plan by a provision that would protect the Reconstruction Finance Corp., through which all funds would funnel; it's stipulated that if the RFC should go into the red, any deficit would be covered by future annual appropriations from the Treasury. Thus, Roosevelt will control the scope of the lend-lease operation, but the contingent liability that the government assumes would not show up in the budget till it occurs.

## Money for Boys Back Home

IF ANYTHING, this strategy is too smart. Many Congressmen don't like it, even though they will vote for it. They vote for it for their dis-

Local public rural electrification, farm tenancy on attractive terms, although they are against eliminating outright subsidies.

## Others Not

REALLY DAMAGING directed against spread money. It is probable that the toll roads will

Purchase and lease the railroads has not been opposed by Sen. Clegg, specialist on transportation, offer of straight loan for this purpose is likely.

As predicted, the \$500,000,000 for the Export-Import Bank has been used as a trade-incentive. President Roosevelt is expected to increase the Export-Import revolving loan fund from \$200,000,000. This is to export trade interest in Congress still is

## Neutralizing Neutrality

DESPITE THE ADMINISTRATION's neutrality in the Senate Foreign Relations Committee, Roosevelt is still hopeful that some work will be worked out this session. They are particularly anxious to get rid of the embargo on shipments of arms

Meanwhile, the British government has been advised by unofficial representatives that in the event of trouble with Hitler, Britain must not declare war but follow the Japanese-Chinese pattern. Such tactics would permit the White House, according to this advice, to exercise its discretion in recognizing the existence of a state of war. It could blink at the actuality of war, just as it has in the Oriental situation, and by failing to permit the continued shipment of munitions from U. S. to British ports.

## Determined Opposition

IN TRYING TO REPEAL the embargo on shipments of "arms, ammunition and implements of war" to belligerents the Administration is opposed by a group of senators who have pledged themselves to talk any such repeal to death. Since the number is more than one-third of the Senate, it would be impossible, without a break in the neutrality bloc ranks, to gag them by a filibuster. This

good chance to run with Roosevelt's blessing.

## TVA Gets a New Boss

CONGRESS, not Lilienthal, is now running the Tennessee Valley Authority. The House-Senate conferees compromised on \$61,500,000 of bonds to allow the Authority to carry out purchases of private properties in Tennessee, Alabama, and Mississippi. That's a sizable boost over the figure the House had authorized, but the significant thing is that all the money is allocated to specific purchases. If TVA now wants to expand its area further, it has to come to Congress and ask for the money. However, Sen. Norris won his fight to take geographical limits out of the bill (BW—Jun24'39,p14).

## Break for Employers

THAT NEW RULE of the National Labor Relations Board, which gives employers collective bargaining a boon to all but act except organizations and neither

Every Week in  
**BUSINESS WEEK** executive readers turn to the Washington Bulletin, one of Business Week's most valuable services — 1,500 words of highly-concentrated priority news covering every source of fact and opinion at the nation's capital.

Every Week in  
**BUSINESS WEEK** advertisers can address more influential executives per advertising dollar than in any other national publication. Business Week is the only weekly magazine that is devoted exclusively to business.

**ALERT...ACCURATE...AUTHORITATIVE**  
Edited for Executives

Senators Borah, Nye and Holt, leaders of the non-intervention or isolationist bloc, put their filibustering speeches up on the shelf this week

Foreign Relations Committee voted not to settle the issue this session (p. 14). However, the senators were keeping their speeches well within reach in case the President should succeed in forcing the issue out on the floor of the Senate.

this year totaled \$164,933, as compared with \$77,830 in the first half of 1938 and \$137,606 recorded for the second half.

Administrative and educational and promotional expenses of \$22,807 converted an over-all net margin of \$10,221 into a net operating loss of \$12,586 for the whole period of the Greenbelt operation to April 1, 1939.

The town is so healthy that it doesn't pay the druggist's salary, so the prescription and drug department has been moved into another store and the drug store has been converted into a variety store which is now crawling into the black on a weekly gross of about \$1,600. It is operated as a member of the Ben Franklin Plan (Butler Brothers) which serves the store with merchandise.

### No Rush of Movie Patrons

The movie theater which was opened last September is Greenbelt's biggest headache and may be closed. The town isn't big enough to support it. Of children there are aplenty but 1,000 of them are under 5 years. Forty organizations on the "campus" are competing with the theater.

The service station suffers like the other stores because it sells for cash only and in addition because it has to absorb the 2¢ differential between the D.C. and Maryland gas taxes. It is now making a little money. The barber shop is taking in about \$80 a week, averages 500 haircuts to one shave. It shows a small net margin. A valet shop was opened in March this year and has built up a tidy volume of business.

Taxes and license fees paid by the Greenbelt enterprise total about \$3,000 a year and store rent paid to the government about \$1,000 a month.

## Something New in Anti-Trust

**Pacific Coast newsprint people are the first anti-trust defendants ever indicted under tariff law of 1894. Arnold charges they injured newspapers.**

TRIAL OF PACIFIC COAST newsprint producers and sales agencies (six companies and 15 individuals) under indictments voted by the federal grand jury in San Francisco on charges of anti-trust law violations will be heard in federal District Court, San Francisco, Judge A. F. St. Sure presiding. No date has been set but observers are inclined to believe that start of court action will be delayed well into the fall.

The grand jury did a complete job and took in the entire Coast producing industry in its indictments, including two British Columbia manufacturers (and one sales agency there). There are six producers on the Coast of which the Powell River Co. (British Columbia) is the largest, followed by Washington Pulp & Paper Co. (Crown-Zellerbach subsidiary), Crown-Willamette Paper Co. (also a C-Z. property), Pacific Mills, Ltd. (B.C.), the Hawley Pulp & Paper Co. and the Inland Empire Paper Co. Among them they have a daily capacity of about 1,770 tons. The 15 officials indicted are all executives of these firms.

The very cautious comment in the daily press following the grand jury action is missing entirely one point of significance to business generally. Government attorneys, who will handle the cases under direction of Assistant Attorney

General Thurman Arnold, insist these are the first criminal indictments ever to be brought under the anti-trust provisions of the Wilson Tariff Act of 1894. The results may set an important precedent.

### Accused of Price Deal

Defendants (including the Canadian) are charged in the indictments not only with violations of the Sherman Anti-Trust Law but with conspiracy to increase prices of foreign newsprint imported into the U. S. The Wilson act prohibits (in connection with importation of goods) any combination to: (1) restrain lawful trade or competition; (2) increase the market price. The indictments charge that, in violation of the Wilson law, West Coast companies, including the Canadian concerns, joined in an unwritten understanding to hike U. S. newsprint prices.

Base prices increased throughout the country in 1936 from \$40 to \$41 a ton. In 1937, they jumped to \$42.50 and, early in 1938, went to \$50 for Canadian and \$48 for domestic paper.

All newsprint producers have been operating under a "consent decree" issued in 1917 under which they were perpetually enjoined from "acting in concert" to maintain prices. The Department of Justice and Federal Trade Commission claim they have been receiving complaints for several years that the newsprint people weren't following the 1917 decree. About a year ago the Department of Justice agreed to act and the FTC made a "fact-finding study." This reached the desk of the Attorney General last January. Thurman Arnold's announcement of grand jury investigation of newsprint producers in general, and the Pacific Coast in particular followed in May.

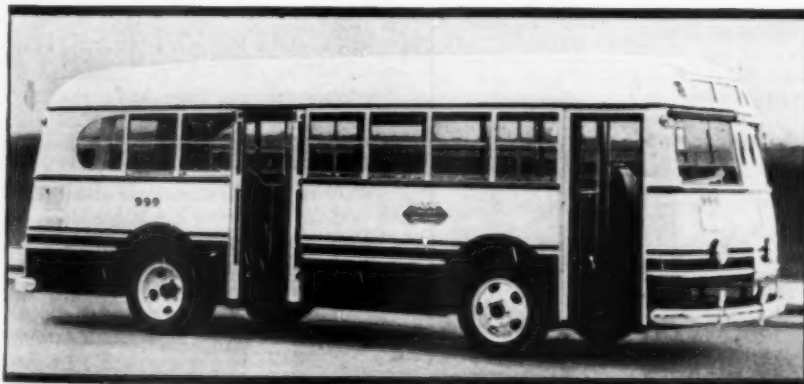
### U. S.'s Share Contracts

The FTC, in its newsprint study, is supposed to have found that only two of the eight individuals and 14 of the 45 corporate defendants in the 1917 case are now in business; that when the decree was issued the U. S. produced three-fourths of its newsprint needs while now it produces only one-fourth. The rest is imported—80% of it from Canada.

Newsprint, it was found, is marketed under a price-zoning system uniform in each of 10 zones, and recent advances in price have been adopted generally by all producers.

The FTC study is also said to have disclosed that action by Canadian manufacturers restrains competition in the

### And Now a Ford Rear-Engined Bus



Bearing a family resemblance to its front-engined predecessor, the first Ford rear-engined bus (above) gets its power from a 95-hp. V-8 engine mounted transversely. Features range from a ventilating system supplying each passenger with 10 cu. ft.

of air per minute to genuinely comfortable seats over the wheel houses. Immediate volume production is assured by an order for 500 of the new buses placed with Ford Motor Co. by the City of Detroit's Department of Street Railways.

U.S. and that there is some cooperation between producers in both countries.

Thurman Arnold, in discussing the newsprint action last week, pointed out that paper is the largest single item of materials cost in publication of a newspaper; that 1938 consumption totalled 2,000,000 tons, valued at \$100,000,000. The advance of more than 20% in price over the last three years, he charges, added \$20,000,000 to the 1938 cost to publishers and "affected advertisers and subscribers by making necessary an increase in cost of service to each subscriber." Smaller newspapers, he insists, are especially hard hit because they buy in the open market, paying about 10% above contract prices. They buy less-than-carload lots and the price increases progressively as the size of the purchase diminishes. Many buy sheets rather than rolls and pay a premium for them. Thus, Mr. Arnold figures, the 1938 increase of \$7.50 a ton (\$5.50 for domestic paper) meant an increase of several times this amount to the small publisher.

### Market Shrinks, Costs Stick

Lately, newsprint producers on the Coast and elsewhere have seen their market dwindle while the costs remained the same or even increased. The 1938 decrease in newspaper advertising volume, a small decrease in circulation, and suspensions and mergers, all were important factors. More important is the trend toward narrower newsprint rolls.

## MARKETING

ADVERTISING • MERCHANDISING • SELLING

## Fair Trade Drive Slows Up

**Only one state approved resale-price maintenance this year. Organized consumers oppose it. Druggists try to show it hasn't raised prices.**

THIS WEEK, with only four state legislatures still in session, the fires that burn over fair trade legislation had been banked.

When 1939 began, 43 states had laws permitting manufacturers to fix the minimum resale prices of their goods. Alabama joined the fold in February, thus leaving only four states to go. Yet despite this apparent gain for fair trade, opponents of price maintenance feel that they are in a stronger position than they have been for several years.

They point first to the fact that, by one means or another, fair trade laws were staved off in the four hold-out states—Vermont, Missouri, Delaware, and Texas. In Vermont the proposal was decisively defeated. In Missouri and Delaware, the sentiment for fair trade was much

stronger. And in Texas, a law was kept off the books only by the last-minute veto of Gov. Lee O'Daniel.

It will be two years before fair trade will be considered again in these four states, for their legislatures do not meet in 1940. And by that time, opponents hope for several developments.

Laws affecting business are usually put on the books by pressure groups. The country's druggists, through the National Association of Retail Druggists, took the lead in the fight for fair trade. Working as a well-oiled lobby, the N.A.R.D. first brought pressure to bear on local legislators to get the various state laws, then plumped for passage of the Tydings-Miller act, the federal enabling law. Without a rival pressure group, the N.A.R.D. found the job comparatively easy.

But now an opposition is beginning to raise its voice that is politically more potent than all the druggists in the world—organized consumers. The majority of U. S. housewives may not yet know a fair trade law from a foul ball, but that doesn't go for the highly vociferous minority that business men and politicians have discovered as the "consumer movement."

### Issue is in Consumer's Hands

Fair trade proponents still believe that much of the clamor is synthetic, but it has them worried. They know that the consumer will decide the fate of fair trade—and will base the decision on what fair trade has done to prices.

Right now the druggists are attempting to find out what fair trade has done to prices—and they would be less than human if they didn't hope that the survey showed that prices were not raised by fair trade. The N.A.R.D., the National Wholesale Druggists Association and several smaller bodies are paying for the survey conducted by the Druggists Research Bureau, which has sent questionnaires to 60,000 druggists throughout the country, inquiring into the prices of 64 drug items before and after fair trade. The survey has got to the tabulating stage, and should be ready for release in a month or six weeks.

Opponents are hoping for much from the investigation of fair trade which the

### 27 Laws to Stop "Loss Leaders"—24 Now Effective

(Italics indicate laws declared unconstitutional)

State	Date Enacted	Classes of Merchandise Covered by Various Laws	Minimum Markup <sup>2</sup> Wholesale—Retail	
Arizona	1939 <sup>2</sup>	Tangible personal property	....	12%
Arkansas	1937	All goods and service-trade sales	....	....
California	1939 <sup>2</sup>	All goods and service-trade sales	....	....
Colorado	1937	All goods and service-trade sales	....	....
Connecticut	1939 <sup>2</sup>	Tangible personal property	2%	6%
Idaho	1939	Tangible personal property	2%	6%
Kentucky	1936	All goods and service-trade sales	....	....
Louisiana <sup>2</sup>	1936	Drugs and cosmetics	....	....
Maine	1939	Tangible personal property	2%	6%
Maryland	1939 <sup>2</sup>	Tangible personal property	2%	6%
Massachusetts	1939 <sup>2</sup>	All goods	2%	6%
Michigan	1937	Bakery and petroleum products	....	....
Minnesota	1939 <sup>2</sup>	All goods	2%	10%
Montana	1939 <sup>2</sup>	All goods	....	....
Nebraska	1937	All goods and service-trade sales	....	6%
New Jersey	1938	All goods	2%	....
Oregon	1939 <sup>2</sup>	All goods and service-trade sales	....	6%
Pennsylvania	1937	All goods	....	....
Rhode Island	1939	Tangible personal property	2%	6%
South Carolina	1932	All goods	....	....
Tennessee	1937	Tangible personal property	....	6%
Utah	1939 <sup>2</sup>	All goods	2%	6%
Virginia	1938	Tangible personal property	2%	6%
Washington	1939	All goods	....	....
West Virginia	1939	Tangible personal property	2%	7%
Wisconsin	1939	Tangible personal property	2%	6%
Wyoming	1937	All goods and service-trade sales	....	....

<sup>1</sup> All of the laws prohibit sales below "cost"—which is usually defined as purchase cost or replacement cost, whichever is lower, plus "cost of doing business." Some of the states set minimum markups to cover "cost of doing business," in absence of proof of lower operating costs. These markup percentages are shown here.

<sup>2</sup> Amends earlier law.

<sup>3</sup> Louisiana law applies only to retail sales. Laws of the various other states apply to wholesale trade as well.



Federal Trade Commission now has under way (BW—May 13, 39, p. 17). That probe, coupled with the Department of Justice's concern about contradictions in the anti-trust statutes as they now stand, may lead to a sweeping rewriting of the law. Macy's current suit against New York book publishers (BW—Jul 22, 39, p. 39), charging that the establishment of fair trade prices constituted a conspiracy violating the Sherman Act, highlights the need for clarification. Fair trade enthusiasts admit that their biggest fear is that in overhauling the anti-trust laws the Tydings-Miller act may be weeded out, which would make it impossible for a manufacturer in one state to continue fixing prices under another state's fair trade law without domesticating there.

### Curbs on "Unfair" Push Ahead

While the fair trade laws have been marking time in the various states, companion laws, the so-called "unfair practice" acts or "loss leader" laws, have been forging ahead. These forbid the selling of goods below cost, variously defined.

In all, 27 states have tried loss leader laws; 24 still have them in effect (see the table on page 20). Fifteen new laws were written by the legislatures which have just now recessed, but since nine of the laws were amendments to existing statutes, only six states were added to the list.

Mostly, these laws have been pushed by the grocery trade. Grocery manufacturers have never fixed prices under the fair trade laws for fear of antagonizing powerful chain groups. To satisfy independents, they have worked instead for the loss leader laws.

The manufacturers have been none too zealous in the fight, for they recognize shortcomings in the laws. First is their still doubtful legality. More important, the laws are ineffective because of difficulties of enforcement.

### Clear Lasker on Loan

ADVERTISING MEN have been getting an earful of the story that a \$250,000 loan from Albert D. Lasker, former president of the advertising agency of Lord & Thomas, went into a private enterprise of former Federal Judge Martin T. Manton at the same time that the judge had before him litigation involving American Tobacco Co., a Lord & Thomas client. This week the implications of the story were quashed in court by testimony that Mr. Lasker had authorized the loan in the belief that it was actually being made for the benefit of tobacco company officers who were in stock market difficulties, and by the statement of United States Attorney John T. Cahill that "Mr. Lasker has been grossly misused in the situation, and in fairness to them I think it should publicly be said that we find absolutely no ground for criticism of the conduct of Lord & Thomas."

## "I FLY BECAUSE IT'S GOOD BUSINESS"



"I'm not the kind of fellow who flies just for fun, or even because it's the most comfortable way to travel. I fly because it saves dollars and days. Here's the way I figure: Based on my salary, the firm pays for every non-productive hour I spend traveling. On this trip this item is cut in half by flying; so are my living expenses en route. The net result of comparing fare, living expenses and salary shows a neat dollar saving of 25%."

Douglas Aircraft Co. Inc., Santa Monica, California. World's largest independent manufacturer of airplanes for commerce and defense.

# DOUGLAS

FIRST AROUND THE WORLD



Now the World Over

★ North America: American Air Lines Inc. ★ Braniff Airways ★ Canadian Colonial Airways, Inc. ★ Eastern Airlines ★ Northwest Airlines, Inc. ★ Pan American Airways ★ T.W.A. ★ United Air Lines ★ Western Air Express ★ Wilmington-Catalina Airline ★ Cia Mexicana de Aviacion, S. A., Mexico  
★ South America: Pan American Airways ★ Pan American Grace Airways ★ Australia: Airlines of Australia ★ Australian National Airways ★ Europe: A. B. Aerotransport, Sweden ★ Air France, France ★ Avio Linee, Italiane, Italy ★ C. L. S., Czechoslovakia ★ K. L. M., Netherlands ★ L. A. P. E., Spain ★ L. A. R. E. S., Roumania ★ LOT, Poland ★ S. A. B. E. N. A., Belgium ★ Swissair, Switzerland  
★ Orient: China National Aviation Corp. ★ K. N. I. L. M., Netherlands Indies ★ Japan Air Transport



When New York State placed a 2¢ tax on cigarettes, New Jersey peddlers proceeded to clean up by selling tax-free cartons 36¢ cheaper.

## Cigarette Tax Blues

**Tobacco dealers complain of reduced smoking. New York's 2¢ tax hits hard.**

ON MAY 17 the New York legislature levied a 2¢ tax on cigarettes. On July 1 the tax went into effect. Prices in New York City, where tobacco dealers and consumers were burdened by an additional 1¢ tax for relief purposes, soared to 17¢ a pack for popular brands. Dealers across the river in tax-free New Jersey did a land-office business by mail and with thousands of commuters. Last week New York tax enforcement authorities moved to halt the flow of bootleg cigarettes by stationing 35 inspectors at ferry slips, bridges, and tunnel entrances, but the contraband continued to flow across the Hudson.

The picture was one that has grown familiar since the first cigarette tax passed in Iowa in 1921. At the beginning of this year, with cigarette consumption at 163,700,000,000 a year, 21 states had a tax on this form of smoking. So when the legislative season opened with taxes proposed in eight additional states, retail dealers prepared to fight. Their principal concern was that in tobacco-taxing states cigarette consumption averaged 932 per capita; in non-taxing states it was 1,531.

A final checkup revealed they had come out on the long end of a 5 and 3 score. New taxes in New York, Rhode Island, and New Hampshire brought the total of taxing states to 24.

### Violated—But There's Revenue

Tobacco interests have always had a number of sound arguments against the tax. Evasions and violations are commonplace. Jobbers and wholesalers set up business across the state line and take orders for tax-free cigarettes. In Pensacola, Fla., there is a thriving group of cigarette jobbers that load up the cars

of salesmen with unstamped cigarettes and send them across the borders to bootleg their cargoes in Mississippi, Alabama, and Louisiana. Business by mail is even greater. Moving through the U. S. mails, the shipments cannot be intercepted.

But tobacco can be a lucrative source of revenue. From a tax of 6¢ a pack, the federal government garners \$550,000,000 a year; states with levies from 2¢ to as much as 5¢ in Arkansas collected \$53,000,000 in 1938. But whereas the collection of the federal levy is a relatively simple operation, states have had to adopt Prohibition-era tactics.

### States Fight Bootlegging

Iowa this month acted to stop bootlegging from Nebraska by a statute which permits revenue officers to search any vehicle or home without a warrant. A person with more than two packages of unstamped cigarettes may be fined \$50 a pack. Louisiana has a force of 18 undercover men to ferret out offenders; confiscation of automobile, a fine, and a jail sentence are the penalties for violation.

By and large the most effective plug has been the use tax—that troublesome interstate barrier that makes business between states resemble foreign trade. Under the use tax, cigarettes become taxable the minute they come to rest in the state. This device has raised collections from \$4,000,000 to \$7,000,000 in Texas, and boosted Arkansas cigarette revenue 20%. Now the tobacco administrators are seeking Congressional authorization to close the biggest remaining leak. Through the National Tobacco Tax Conference, their central organization, they are pressing for passage of the Tarver bill which would allow states to inspect packages shipped by parcel post.

Tobacco dealers in many states feel that they are fighting a losing battle. Taxation presents them with the unhappy alternative of absorbing the tax or losing business to out-of-state dealers.

## Remake Rail "Bible"

**Traffic experts begin long job of simplifying Freight Classification book.**

THE 548 PAGES between the stout covers of the Consolidated Freight Classification supply the key to railroad rates on all articles of commerce from "A Frame Legs, Power Shovel" to "Zylonite, Scrap." The bulky volume is the bane and Bible of shippers and railroad men who must search through its labyrinth for classifications, rules, descriptions, packing requirements, and exceptions in the three rail territories known as Official, Western, and Southern.

Last week there sat down in Chicago, New York, and Atlanta several dozen men from the carriers and their associations. These are the Traffic Advisory Committee of the Association of American Railroads. Their chore is to streamline some of the bumps and bulges of this tome, to redesign it into a volume less cumbersome to use and less expensive to print and distribute. Released temporarily from their regular jobs, they plan to alternate their headquarters a month in Chicago and a month in New York until they and their superior officers are satisfied that no further simplification is possible.

Until 1882 each American railroad had its own classification. By 1889 these had been combined into three books, one each for Eastern, Western and Southern territories. During the U. S. Railroad Administration's reign the roads settled down to making uniform all descriptions of commodities in the three classifications. Since 1919 the big consolidated volume has served the entire country.

### Weed Out Obsolete Items

As new commodities have been developed and new methods of packing have come along, the Classification has been steadily growing to the dimensions of the Detroit telephone directory. While new acids and plastics have come in, the old standbys such as loggers' tank sleds, buggy boots, and hitching weights have held their lineage.

The committee is aiming toward far more than merely deleting obsolete commodities and rephrasing packing rules to omit containers long since discarded as uneconomic. It intends to merge many commodities into single descriptions. It is empowered to tackle such apparent absurdities as the fact that "Grandstand Platforms, in flat sections," carry the Class 4 rate in Southern and Western territories, Class 3 in Official. The ideal toward which it is here working is uniformity of classification. Changes which do not affect the charges paid by shippers will be made right away. Changes affecting charges will require public hearings in New York, Chicago and Atlanta.

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# 40 Fathom Down

YOU'D TAKE A NEW INTEREST IN PIPE FITTINGS



"Stand by for crash dive!" Feel the ship settle under you . . . brace yourself as the floor inclines . . . watch the depth gauge swing . . . deeper . . . deeper. Glance around you at the maze of pipe and pipe fittings doing their routine jobs.

It's no harder for a fitting to keep the sea out of a submarine than to confine the steam in your boiler room. No more work to blow out the ballast tanks than to deliver a drink of water to your twentieth-floor office. *Every pipe fitting made is destined for an important job.*

That is why Grinnell Fittings of Cast Iron, Air Furnace Malleable Iron, and Bronze are made smooth cored, with substantial band for sure wrench grip . . . with proper chamfer for easy starting . . . sharp, accurate threads, for tight joints. That is why each fitting is inspected not once, but three times, before it can bear the Grinnell "G." That is why Grinnell Steel Welding Fittings have exactly the same qualities as the seamless pipe they connect. Write for your copy of the Grinnell Fittings Catalog. Grinnell Company, Inc., Executive Offices, Providence, R. I., Branch offices in principal cities of the U. S. and Canada.

**GRINNELL**  
WHENEVER PIPING IS INVOLVED



Grinnell Company, Inc.—Grinnell Company of the Pacific—Grinnell Company of Canada, Ltd.—General Fire Extinguisher Company—American Moistening Company—Columbia Malleable Castings Corporation—The Ontario Malleable Iron Company, Ltd.







## Is Distribution Too Costly?

**If prices are to be lowered, it must be done in the field of distribution, says Twentieth Century Fund's new book. Consumer blamed for laziness.**

THIS WEEK page proofs were available of the Twentieth Century Fund's latest book—a book which has been two years in preparation and which, in its title, poses a tremendous economic question: "Does Distribution Cost Too Much?"

There are two answers: "Yes," and "No." Yes, because it's obvious that our distributive processes have not attained perfection. Yes, also, because there are glaring evidences of our economic wastes—for example, five milk wagons, serving the same routes with the same products at the same time.

But the answer also is "no," because it is hard to put a finger on specific instances of bloated profits. The farmer complains constantly that he receives only 13.3¢ of the housewife's bread dollar. But all along the line, the study shows that there has been added cost (real value) in giving the farmer's wheat both place and time utility in the final form of bread—from the grain merchant, through the flour miller, the baker wholesalers, and retailers.

### Distribution Offers Challenge

But Authors Paul W. Stewart, marketing expert of Anderson, Nichols Associates, and J. Frederic Dewhurst, economist for the Twentieth Century Fund, make it clear that if America is to widen domestic markets for goods by lowering prices, the place to do it is in the realm of distribution. For decades, they point out, "the inventive genius of American business has been chiefly dedicated to the lowering of production costs through mechanization and scientific management," but the "same inventive genius has hardly begun to be applied to the reduction in distribution costs."

Out of every dollar spent for finished goods in 1929—the year in which the largest volume of goods was sold—59¢ went for distribution—\$38,500,000,000 (out of a total of \$65,600,000,000) broken down as follows:

Retailers .....	\$12,600,000,000
Manufacturers .....	9,100,000,000
Transportation .....	8,800,000,000
Middlemen .....	7,000,000,000
Other Costs .....	1,000,000,000

A high distribution cost is the price today's America has to pay for the economies of mass production. The buggy of the '80s was made under one roof. The automobile of today is produced in dozens of plants, as manufacturers obtain parts from far-flung suppliers, thus multiplying the distribution

costs. And, as a part of this mass production, advertising and selling pressure has become a "fixed" burden, because it has become more and more important to increase sales—to hold mass markets—through distribution efforts.

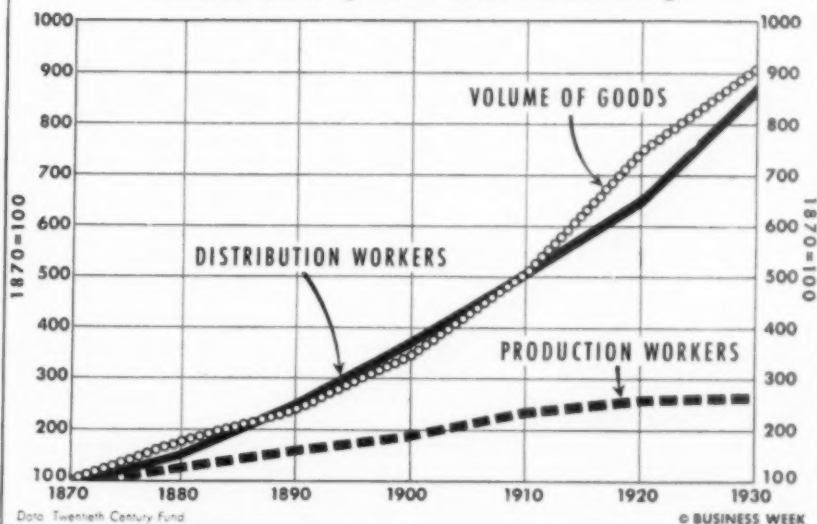
Though increased advertising and sales pressure has helped to create mass markets, and in that manner to cut down production costs, the Twentieth Century collaborators are by no means convinced that this is an unmixed economic blessing. "Not all costly advertising and promotion can be defended on the grounds that it is necessary to educate the consumer to new products. The consumer needs no education as to the qualities of cigarettes, toothpaste, canned goods, gasoline, and a multitude of other standard commodities. Such products he would

buy whether urged or not, which means that money spent in promoting their sale must be charged off as one of the costs of competition. When it takes this form . . . competition in distribution is often likely to result in higher, rather than lower costs and prices."

Yet the pressure of mass markets has become so great that rewards for selling are in many cases the greatest our society has to offer. A limited but suggestive sample shows that manufacturers of drugs and cosmetics put 18¢ out of every dollar of gross into advertising and sales promotion effort; of tobaccos, 8.2¢; of confectionery and beverages, 6.7¢; groceries, 6.2¢; furniture, 6.1¢; automobiles, 4¢; clothing, 3.7¢; home furnishings, 3¢; hardware, 2.2¢; agricultural equipment, 1.6¢. Apparently, the closer the manufacturers get to necessity and performance (and away from brand preference), the lower the percentage of promotional energy.

The collaborators make the astute point that this type of advertising effort not only increases the price to the consumer of the advertised product but also tends to raise the price of competing unadvertised products. The retailer is able to sell an unbranded substitute at a

### Productivity Vs. Distributivity



IN 60 YEARS, a nine-fold increase in distribution workers (from 1,500,000 to 13,000,000) has been necessary to keep pace with the output of a three-fold expansion in production workers (from 9,700,000 to 26,500,000).

Each production worker today turns out about three times as much goods as in the '70s—a consequence of technological improvement; but there has not been a corresponding increase in efficiency in the distributive system.

Actually, the distribution worker handles a greater physical volume of

merchandise and commodities, thanks to platform trucks and other mechanical power devices, but a great deal of this saved effort is expended in shuttling the same goods back and forth across the country in a multiplicity of transactions from initial producer to final consumer.

Result: In relation to the nine-fold increase in production of commodities in the period from 1870 through 1930, distributivity per worker has increased hardly at all, while productivity per worker has tripled.

## Between Fields of Cotton, a New "Cotton Road"



Under the vigilant eyes of four bosses and in accordance with specifications sponsored for several years by the Cotton Textile Institute, New York (BW—May 16 '36, p. 39), ten workmen unroll long strips of coarse cotton cloth for a "cotton road" near Rich-

ardson, Tex., the newest stretch to be added to some 700 miles of cotton road already laid. The cloth's dual function will be to act as a road "binder" under asphalt or other surfacing and to help use up as much of the cotton surplus as possible.

"higher markup than he otherwise would," because buyers have in mind the heavily marked-up price of the advertised article.

To put all the blame of high distribution costs on producers and vendors, however, would be to overlook the laziness of consumers, who have been taught at their own expense to expect all manner of services. The consumer demands variety and style, hence middlemen and retailers must assume the large inventory risks of spoilage, style obsolescence, and price declines. The consumer wants convenience, too, which means corner drug and grocery stores, rather than central markets. Finally the consumer has been "educated" up to charge accounts, deliveries, and returns—which entail a great "unpriced" burden on retail distribution. (Returned goods and allowances of department stores amount to one day's sales in eight.)

### Labyrinth of Many Detours

Notwithstanding the burden piled on by buyers and sellers, distribution profits as a whole amount to only 1¢ on the dollar—approximately \$1,900,000,000 on aggregate distributors' sales of \$188,000,000,000 in 1929. That load is spread over a great mass of products and processes—on some it bears more heavily than on

others. For distribution is decidedly an intricate business. Between the farmer's furrowed field and the housewife's dinner table, cabbages run a gamut of sorters, handlers, auctioneers, commission merchants, truckers, railroads. Result: the farmer gets 0.7¢ a pound, the consumer pays 4¢. The markup is 471%. Cabbages are bulky and perishable, so there's a loss hazard added to distribution expenses. Eggs, on the other hand, take only a 52% markup, because they are neither as bulky nor as perishable, and generally are produced near big centers of consumption, hence bear a smaller transportation burden.

Throughout the economic system there are multiple processing and transportation, resulting in a tremendous turnover of the same goods. Take 1929 as an example. In that year (see the chart on page 25), \$21,700,000,000 of domestic farm products, domestic minerals, and general imports entered originally into American channels of trade (\$12,400,000,000 of agricultural products; \$4,900,000,000 of mineral products; \$4,400,000,000 of general imports). Before those raw materials and goods reached ultimate consumers, they had been turned over 10 times. Aggregate sales all along the line amounted to \$218,599,000,000. And their final economic value—con-

sumer price—representing the merchandise purchased by consumers, exporters, utilities, and institutional buyers, amounted to \$65,632,000,000.

In this building up from a beginning value of \$21,700,000,000 to an end value of \$65,632,000,000, manufacturing (the difference between goods bought and goods sold) added \$22,400,000,000; intermediary trade, \$7,100,000,000; retailers, \$12,200,000,000; and so along, each handler put on his little surcharge, as the goods went round and round, and manufacturers bought from manufacturers, and intermediaries bought from intermediaries and back and forth again and again. Transportation alone added \$8,800,000,000, and this is shown on the chart by the widening of the bands. Thus manufacturers shipped goods worth \$31,800,000,000 to intermediaries, but transportation brought the total to \$33,500,000,000.

This is what the Twentieth Century Fund researchers call recirculation, as goods rush this way and that in the labyrinth of modern commerce—to find a final resting place with the ultimate consumer. Taking some of the twists and turns and duplications out of the distributive labyrinth is the Twentieth Century way to increase sale of goods by lowering their cost. For obviously, if it costs 41¢ to produce a commodity and 59¢ to distribute it, the greater margin of saving is to be found in simplifying and streamlining the distributive process.

## Mail-Order Surprises

**Sears and Ward use much color in catalogues. Ward's book has two front covers.**

BOTH OF THE BIG mail-order catalogues for fall and winter came out last week on their usual schedule. Most unusual features are matters of format. Both bristle with more color and rotogravure than ever before. Sears, Roebuck's contains 40% more four-color pages, almost 100% more roto. Ward's hits a new high with 70% of its book in one or the other of these processes.

Mail-order men say they cannot definitely prove that the more expensive printing boosts sales, but they have a deep-seated conviction that it is worth what it costs. Pressure for rotogravure for these two catalogues and those of Chicago Mail Order House and of Spiegel has for months kept every roto press in Chicago working to full capacity, and forced catalogue departments to farm out roto orders as far away as Detroit.

Ward's catalogue takes the prize for novelty. It has what its sponsors describe as two front covers and no back cover. Open it at the side adorned by a silver-foxed beauty; pages 2 to 457 follow, filled with style goods, shoes, dry-goods, and the rest of the soft lines. But



when you turn page 457 you surprisingly find page 1025 on the reverse, and upside down. If you take the hint you close the book, flip it over, and find another front cover showing a chintz-covered armchair in an elaborate living room. The inside of this cover is page 458, and you go on from there through the hard lines until you again reach the middle of the book with its topsy-turvy center page. Order blanks, shipping rates, and the other miscellany are buried in the center spreads. The management likens the new catalogue to Burdine's department store in Miami, with its two front entrances on parallel streets.

### Most Seem to Like It

A letter to the customer explaining the new format is enclosed in each catalogue, with a request that he add to his next order a line telling what he thinks of it. Thus far, two-thirds of the comments have been pro, only a few reactionary cons say they like all their catalogue pages to read in the same direction. And there has been a scattering of letters from troubled customers who write: "My catalogue is partly upside down. Please send one that is made right."

Reason for the innovation is a basic conflict between style goods and the big-unit heavy lines. For years, now, style goods have had first call on the front sections even in years when the management knew these departments would lose money. Experiments with giving house furnishings the preferred position proved that the increased hard-lines volume that resulted was not sufficient to make up for what this cost in the ready-to-wear lines. If Ward's new trick works out well in the Chicago, Baltimore, Albany, Denver, and St. Paul territories where it has been given its large-scale tryout, look for the same style in all houses' catalogues in future.

Price changes over preceding catalogues are small. Ward's says that soft lines sample out .51% below last spring, an eyelash above last fall. Sears claims .1% above last spring, 1.09% below last fall.

Both houses point with pride to upgrading of merchandise lines. Ward's now offers watches at \$85, 1½-carat diamond rings at \$805, rayon cord tires at 50% above the previous first-line brand. Sears has a rodent-proof corn crib, and a department selling caviar, *pâté de foie gras*, and anchovies for the country cocktail hour.

### Liquor's Rural Plea

Distillers expect to begin good-will campaign in small town newspapers.

THE BEER AND LIQUOR boys have been blasting away at each other in the most approved Hatfield-McCoy fashion ever since the brewers sought to dissociate



Diagram shows how this fire was set up. Gasoline flowing from leaking pail...flame cascading down a drainboard...spill fire blazing on ground. This trickiest of all blazes—a running-gasoline fire—was killed by a LUX Model 20 in 7 seconds!

## LUX killed it in 7 seconds!

Kill blazes with the fastest known extinguishing agent. The quicker the fire's out, the less danger to your men and to equipment in your plant...the less the delay in tight production schedules.

LUX extinguishers kill fires quickly...thoroughly...safely. Lux carbon dioxide gas is brutal to fire, harmless to everything but fire.

### For Your Severe Fire Hazards

If your fire hazards include flammable liquids or electrical equipment, Lux protection is your one best answer. Keep Lux portables near at hand. Or, if the hazard is intense, concentrated, let us tell you

about the Lux Built-In System, automatically or manually controlled.

### "Don't Play With Fire"

Have you read the new brochure, "Don't Play With Fire"? Free, it tells about Lux Portable equipment.



Safe-Harmless—Lux carbon dioxide snow-and-gas is non-toxic, harmless to men, materials. Photo shows new Kidde-LUX Model Two, one-handed, trigger-control extinguisher.



### Walter Kidde & Company

725 West Street, Bloomfield, N. J.

Please send your new booklet, "Don't Play With Fire"

NAME .....

ADDRESS .....

CITY ..... STATE .....

their product from the hard stuff by promoting it as a food. Periodically, combatants sneak across enemy lines and kidnap an idea.

Brewers earned a large volume of good will through the Nebraska Plan which enlisted the industry in a drive against lawbreaking saloons (BW—Jul1'39,p25). The distillers countered with their Connecticut Plan and their Ohio Plan (BW—Jul15'39,p22). Now the distillers are discussing an institutional advertising drive, somewhat similar to that of the United Brewers Industrial Foundation.

### Hints Take Effect

For two years members of the Distilled Spirits Institute have mulled over appeasement of small-town and rural papers through a cooperative advertising campaign. Publishers of these papers have hinted delicately that they were largely responsible for prohibition, that they aided repeal, that they have received the merest crumbs from the millions spent by the distillers in city papers since 1933. As the dries began carrying local option elections (BW—Aug20'38,p24) some advertising went to small papers but distillers disagreed as to the proper type of copy.

Recent threats by huge National Distillers Products Corp. to undertake its own small-town campaign, promises to break the deadlock. The industry now predicts a good-will advertising campaign for these papers to begin this fall under the sponsorship of the Distilled Spirits Institute. Probable keynote is indicated by the institute's exhibit at the New York World's Fair. It stresses the contribution made by the industry to taxes, education, employment, and farm markets.

### Quakers Protest Ads

AMERICA'S 100,000 QUAKERS do not officially manufacture, sell, or consume liquor. Hence they are making a drive against Schenley's use of a convivial Quaker's picture and the slogan, "Old Quaker—a friendly whisky," for one of its brands. The brand and the argument antedate prohibition. Schenley has removed the offending picture from its ads but sticks to it on bottle labels, since it is part of the trademark. Unmollified, the Friends now plan open attack. Individuals have spaded the ground by writing protests to associations and clergymen of all faiths. When a \$1,000 fund has been raised it will be used to circularize such service clubs as Rotary, Kiwanis, Lions, also fraternal organizations, sportsmen's groups, churches. The appeal will detail the Quaker attitude toward liquor and ask drinkers to boycott Schenley products. A \$1,000 fund isn't much but Quakers are usually well-to-do and have sometimes demonstrated that their influence is greater than their numbers.

## Announcing a 40-40-20 Plan



Profit-sharing plans for the benefit of employees continue to make headway; latest being that of Pressure Castings, Inc., in Cleveland. Above, Pres. G. H. Ralls explains the new

plan to a group of workers: In the future, employees and stockholders will each receive 40% of the company's net profits, and 20% will be allotted to a reserve fund.

## LABOR & MANAGEMENT

INDUSTRIAL RELATIONS • PERSONNEL • EXECUTIVE POLICY

### C.I.O. After Building

**Lewis' brother leads expected foray into A.F.L. preserves with promise to check jurisdictional strikes.**

CHANCES for "big trouble" on the labor front were vastly increased this week, with a long-expected move by the Congress of Industrial Organizations to organize and charter unions in the building field, probably its most ambitious job since it went after Little Steel in 1937. Some 19 big unions of carpenters, bricklayers, electricians, and such trades that are affiliated with the American Federation of Labor, will resist the C.I.O. advance—and they are notably tough resisters.

For at least two years, appeals have been made to John L. Lewis and others of the high command in C.I.O., by local organizers who asserted that the A.F.L. unions claimed only about 800,000 of the building-trades workmen, and that there were over 2,000,000 others who could be brought into industrial unions without craft distinction. Lewis has heretofore held back—even when the matter was brought up on the C.I.O. convention floor last November by an official of the West Virginia state organization. Now, with a shrewd sense of timing, he has moved in right after the government let it be known that it was investigating labor angles in the housing log-jam.

The C.I.O., working through Brother Denny Lewis as head of this drive, will enroll building workers at \$1.50 a month dues, with initiation fee waived, and will promise builders protection against jurisdictional strife—something that would gain considerable support among business men if the industrial-union scheme worked. The A.F.L., however, declares that skilled workmen will never go for the plan, and that C.I.O. is in for a tumble.

No direct battles between the two labor federations are expected in the building field for some time, as C.I.O. will first try for unorganized workmen. But when the new union begins to lure men away from the old-established craft groups, the strife will begin.

### Actors' Union Drama

**Eddie Cantor pinch-hits in new organization. Bitter contests continue.**

EDDIE CANTOR, whose life has furnished the material for an autobiography called "My Life Is in Your Hands," is currently living what may prove to be an interesting added chapter. Already president of the American Federation of Radio Artists, he has been called in by the holding corporation for a large number of entertainers' unions, the Associated Actors and Artistes of America, to pinch-hit as

## C.I.O. and Armour Tug-of-War



Threat of a nationwide strike against meat packers still hung in the air over the labor front this week, while officials of Armour & Co. and leaders of the Congress of Industrial Organizations dickered at long range over the question of blanket contracts. Armour, represented (right) by E. J. Green, H. S. Ellerd, and H. G. Ellerd, was holding out for plant-by-plant collective bargain-

ing with whatever union spoke for the majority of local employees. C.I.O. was insisting on a company-wide contract (which would cover some plants where A.F.L. has won elections). C.I.O. men (left) are Ben Brown, Henry Johnson, Herbert Marsh, and Nicholas Fontechio. Observers expected that the argument, if it came to a strike, would spread to Swift, Wilson and Cudahy.

temporary president of the brand-new American Guild of Variety Artists.

Cantor's new group takes the place of Sophie Tucker's recalcitrant American Federation of Actors, whose charter has been revoked by A.A.A.A. This action may kill the orphan if it loses its direct appeal to William Green, president of the American Federation of Labor. The ousted local could not be counted out, however, because its attorney is Joseph Padway, who also is chief counsel to Green and the A.F.L. As a consequence of its strong political "in," the charterless crowd stood a chance of upsetting the present arrangement, and it even was rumored that the expellers might lose their charter.

By midweek Green had made no definite pronouncement and tension was rising in the theatrical labor sphere. The ousted American Federation of Actors had, in the meantime, made a formal application for affiliation with the International Alliance of Theatrical Stage Employees—an A.F.L. group.

### A.F.A. Takes Court Action

The A.A.A.A. charged the A.F.A. with mismanagement and misuse of funds. The A.F.A. has retorted that these charges (which it denies) are camouflage for a dictatorial attempt on the part of the executive secretary of the Screen Actors Guild, another affiliate of the A.A.A.A., to become the "czar" of the entertainment field. The A.F.A. declares that its vaudeville actors and night club entertainers not only comprised the only "independent" affiliate of the A.A.A.A., but

that it was also on the way to superiority in numerical representation on the A.A.A.A.'s council.

The A.F.A. has started action in the Supreme Court of New York County, seeking an injunction against A.A.A.A.

## Phone Union Dispute

**Organization of Bell Company employees opposes electricians' union.**

MORE THAN MARBLES were at stake this week in a budding battle between an old-established American Federation of Labor union of electricians and a growing organization of telephone workers. For a long time the craft union has had the say-so about handling installations and other expert details in certain places, mostly big-city places. Now the telephone workers' organization is planning to push the A.F.L. union out.

Indications are that the month-old National Federation of Telephone Workers, which already represents 28 previously independent labor unions within the affiliates of American Telephone and Telegraph Co., and claims 110,000 of a potential 250,000 membership, may eventually carve out a status of its own as a powerful union. As yet, nobody knows how forceful a control this infant has over its chartered locals, but executives assert their responsibility is similar to that of successful national unions in other fields. The new locals have retained their power to bargain collectively on an indi-

vidual basis with the management, but there is a clause in the constitution which lets them turn this authority over to the national. So far none has done this.

Executive policy of the new national is aimed at eliminating indirectly hired labor in the telephone industry. There have long been squabbles between telephone company employees and labor unions, particularly the International Brotherhood of Electrical Workers, over jurisdictional rights. In New York City, for instance, local No. 3 of the I.B.E.W. has had a share of installation work for a number of years and the United Telephone Organizations, which has been an independent federation in the New York City area, has had no way to fight back. New York Bell Telephone Co., the U.T.O. asserts, privately favors the U.T.O., but has been afraid of the power of the I.B.E.W. with the Building Trades Council. If I.B.E.W. called a strike, it might be able to tie the company up in a knot.

### Strategy Brings It Before NLRB

It is this reasoning which led the U.T.O., which is now backed by the national group, to enter charges with the National Labor Relations Board alleging that the company, by dealing with the I.B.E.W., has been guilty of an unfair labor act, and that its negotiations with the U.T.O. have not been conducted in good faith. The union hopes that its claim to jurisdiction over all telephone work will be sustained by the board and that the company will then carry the brunt of pacifying the I.B.E.W.

The national supports such action in



other areas to the hilt, but also is interested in two long-term policies: (1) national legislation for a communications act which will contain the mediation and jurisdiction principles embodied in the Railway Labor Act; and (2) a Communications Industry Committee to confer with Elmer Andrews on wages and hours.

### LABOR ANGLES

#### Employees' Cut: \$638,000

THEY PREPARED TO CUT a melon at General Electric this week, profits available for dividends on the first half of 1939 coming to \$16,370,192. What interested employees most, however, was that under the G. E. plan of sharing profits with the workers, \$638,000 was being made out in checks to go to them. About 60,000 employees will share the dough, which is divided according to earnings of participants in this way: those with five years or more in service get 1.35% of their six months' earnings; the three-to-five-year people get .9% of their total, and the one-to-three-year folks get .45%. Meanwhile, G. E. has paid \$1,315,000 to employees this year on its "Cost of Living" plan.

#### Still "Write it Out"

ALTHOUGH NOTHING has been heard for some time about that famous debate over the employer's obligation to sign a written contract if collective bargaining brings agreement, it is not a dead issue. The case of Inland Steel (wherein NLRB ruled that the company should sign) is buried deep in the courts at present. But last week the labor board revived the issue in another quarter. In the case of Holston Manufacturing Co. (Knoxville, Tenn.), the NLRB report says: "the Board found that the company refused to enter into a signed contract, regardless of the terms agreed upon, and rules that this constituted an unfair labor practice."

#### Not 1937 in Steel

PHILIP MURRAY's announcement this week of a renewed effort by the Steel Workers Organizing Committee to get a labor contract with Bethlehem Steel turns back the clock to 1937 in a way, but definitely doesn't mean the return of the bitter strikes against "Little Steel" members. Murray plans to use newspaper and radio publicity, plus on-the-ground organization, among Bethlehem employees. Requests for employee elections are certain, when and if S.W.O.C. figures it has a majority pledged. Speed is no object; the S.W.O.C. leaders believe that their standing is pretty good with Bethlehem employees, that they will be able to show their strength soon, and that if an agreement can be reached there the resultant psychology will turn employees of Republic, Inland, and Youngstown steel companies toward the union.

## PRODUCTION

PRODUCTS · PLANT · PROCESSES

### Helium Boosts Balloon Sales

**Non-inflammable gas makes toy balloons highly acceptable to advertisers as premiums; 500,000 cu. ft. are used annually in 360,000,000 units worth \$5,000,000.**

LAST WEDNESDAY, at the New York World's Fair, the Equitable Life Assurance Society of the U. S. gave away 50,000 toy balloons to celebrate "Equitable Day" and the company's 80th birthday.

Fifty thousand balloons are a lot of balloons—such a lot that the order stands as the biggest of the year so far—yet the Equitable business represents only about one-sixth of 1% of an average month's production of toy balloons. Thanks in large part to the demand of advertisers like Schenley, Loew's Theaters, and the Empire State Building (100,000 balloons were released at its opening), the business has moved right along through the depression until today the dozen or so manufacturers in the business figure their market at about 360,000,000 units a year. With prices ranging from 50¢ to \$3 a gross ("specials" like Ferdinand the Bull will bring \$7), the industry's dollar volume at wholesale is estimated at about \$5,000,000.

#### A Big Market for Them

The introduction of helium gas a little more than a decade ago gave the industry its biggest lift; use of the inert, non-inflammable gas made toy balloons a highly acceptable advertising premium. Credit for introducing the gas, whose lifting power is only 8% less than that of hydrogen, goes to Miss Helen C. Warny of the Toy Balloon Co., New York, which alone distributes over 600,000 balloons a month plus some 20,000 cu. ft. of helium to fill a good many others. Miss Warny's employment of helium came about after she saw the havoc wreaked by a jokerster who touched off a hydrogen-filled balloon with a cigarette at a balloon-decorated ball. The first explosion led to another and another, set fire to the hall and seriously burned many of the guests.

The gas got its name in 1868 when a spectrographic examination of the sun's atmosphere revealed its presence; since the chemical element was unknown on earth it was named after the Greek word for the sun, *helios*. It was first discovered on earth in 1908 when drillers brought in a gas well near Dexter, Kans. They touched a match to it, but the gas refused to burn. Worse than that, it blew out the

match. Analysis showed that the gas consisted mainly of nitrogen, plus 2% or 3% of a gas whose "line" in the spectrum corresponded to the sun's helium.

The United States government, which controls and produces the entire American output at a Bureau of Mines plant in Amarillo, Tex., has a virtual world monopoly of helium.

#### Hospitals Use The Gas, Too

It is used to fill a few Army observation balloons and to replace the gas that leaks out of Navy airships. Commercially, the government sells some helium abroad (but not to Germany), furnishes a few hundred cubic feet each year for hospital use (helium is lighter and easier to breathe than air, is mixed with oxygen for administration in pneumonia cases), and sells more than a half-million cu. ft. per year for toy balloons. Total helium production for the year ending June, 1937, ran 4,809,230 cu. ft., as compared with 4,663,355 the year preceding, and 15,171,680 in the peak year ending June, 1932. Lowered usage in lighter-than-air craft, due to the government's present thumbs-down policy, resulted in production costs rising from \$9.79 per 1,000 cu. ft. in 1932 to \$12.33 in 1937.

Along with the 1937 legislation giving the government a helium monopoly came other legislation permitting the Bureau of Mines to sell the gas to private corporations, firms, and individuals under a set of rules and regulations which fill 19 single-spaced typewritten pages. Price of any lot is not final, but subject to revision and extra charges, if at the end of the year the cost of production has gone above an estimated figure.

The result of all the red tape is that many hospitals as well as balloon buyers are purchasing their requirements of helium through Toy Balloon Co. Miss Warny buys it 100,000 cu. ft. at a crack and distributes it to all comers in steel containers ranging in size from 5 cu. ft. (for medical use) to 200 cu. ft.

The popular impression is that helium-containing gas is found only in a few natural gas wells near Amarillo. Actually, plenty of gas in Kansas, Oklahoma, Montana, Michigan, and other states carries as high as 2% helium.

Auto Co.

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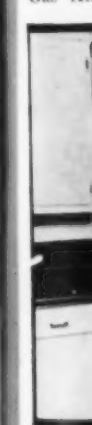
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## NEW PRODUCTS

### Auto Cooler

A THORNBURGH AUTO COOLER attached to the car's front door, holds 17 lb. of water, a 3½-hours' supply capable of absorbing 18,632 B.t.u. while evaporating. Thornburgh Manufacturing Co., 30th Ave. and 32nd Pl., Cicero, Ill.,



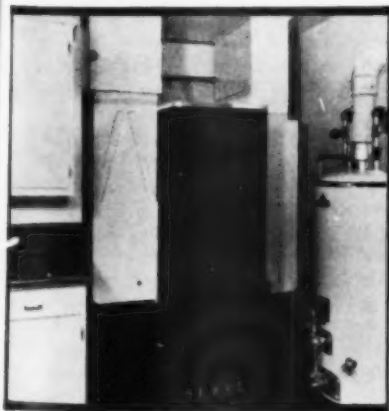
promises that the cooler will lower the temperature inside a car as much as 20 deg., points out that installation is simple and does not require any permanent alterations.

### Metal Shrinker

NEWEST METHOD of putting smooth bends in metal channels and angles, or of forming various unusual shapes out of sheet metal, is to "shrink" them with the Erco Sheet Metal Shrinker of Engineering & Research Corp., Riverdale, Md. The heart of the new machine tool is a "jaw system" comprising two pairs of identical jaws which shrink metal by reducing length, increasing thickness.

### Gas for Air Conditioning

IN THE "ALL-GAS HOME" known as "Homewood" at the New York World's Fair, a compact new Servel Electrolux Gas Air-Conditioner takes care of all



cooling, heating, filtering, and circulation. As in the Servel refrigerator, there are no moving parts in the hermetically sealed, gas-fired refrigerating system.

### Lamp Control

BANE OF THE MODERN "six-way" living room lamp is the necessity of reaching under the shade to find the switches. In its new line of Miller Lamps, the Miller Co., Meriden, Conn., will introduce a visible and easily reachable plastic control switch, which looks something like a miniature radio dial. On it are plainly marked "Relax," "Read," and "Recreation," corresponding respectively to the 100-, 200-, and 300-watt lighting levels.

### Filtered Pipe

LIKE ITS POPULAR predecessor, the Zeus cigarette holder, the new Zeus Pipe of



L. & H. Stern, Inc., 50-64 Pearl St., Brooklyn, filters smoke with a cigarette inserted in its inwards. Unlike it, the

REDUCE CYLINDER WEAR •  
REDUCE OIL FEED •  
PROTECT AGAINST SEIZURE •  
IMPROVE VALVE OPERATION •

with **dag**  
REG. U.S. PAT. OFF.  
COLLOIDAL  
GRAPHITE

In all equipment lubricated with oil containing "dag" colloidal graphite, the advantages resulting come from the formation of smooth, self-lubricating graphoid surfaces on the friction parts.

Air compressors are no exception. Better piston seal and less wear can be expected. "Dag" being unexcelled as a high temperature lubricant, the value of this surface when high compression is undertaken is evident.

Furthermore, the "dag" formed graphoid surface enables the oil-feed to be cut materially. Reduction in the amount of oil vapor present and in the formation of carbon naturally follows.

A request on your letterhead will bring an inspection sample and Bulletin No. 112 describing the running-in of mechanical devices with "dag" colloidal graphite.

Your oil supplier can easily add "dag" to your present lube or to specially selected petroleum fluids.

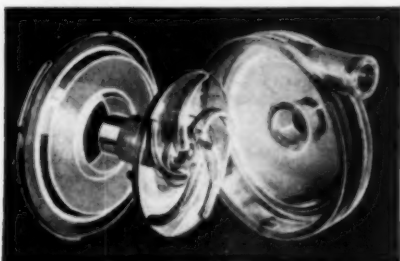
ACHESON COLLOIDS CORPORATION  
PORT HURON, MICHIGAN

**dag**  
COLLOIDAL  
PRODUCTS

pipe takes a cigarette broken in half and secreted in a double-barreled aluminum cooling chamber which is an important part of the stem.

### Glass Pump

CORROSIVE LIQUIDS have been handled in glass pipe lines for a number of years. Now Corning Glass Works, Corning, N.



Y., and Nash Engineering Co., South Norwalk, Conn., announce the joint development of a centrifugal pump made of Pyrex glass. It is capable of delivering, per hour, 6,000 lb. of acid or other liquids 70 ft. above the suction level. Since it is transparent, stoppages are easily seen.

### Working Hours Timer

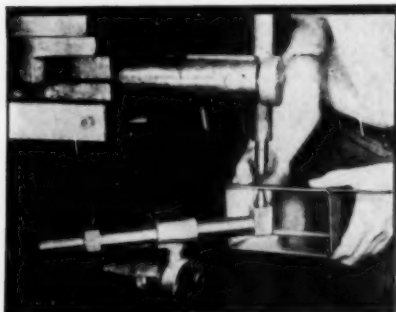
THE WAGES AND HOURS ACT makes it necessary to have a definite check on working hours. The new Automatic Program Timer manufactured by Automatic Electric Mfg. Co., Mankato, Minn., is designed to meet this need. Timer announces lunch hour, quitting time, etc.

### Gas Cleaner

BOTH NATURAL and manufactured gas can pick up dust, pipe scale, and condensate on its way through distribution lines, resulting in pilot light outages and other gas appliance troubles. Blaw-Knox Co., Pittsburgh, suggests that its new consumer-size Type K Gas Cleaner, be installed in the pipe line.

### Offset Welding Tip Holder

MANY PREVIOUSLY INACCESSIBLE spots will now be spot-welded when the weld-



ing tips are held in the new Universal Offset Water Cooled Holder developed by P. R. Mallory & Co., Inc., Indianapolis. The company is also bringing out a simple new hand tool for remachining welding tips without removing them from their holders. It will be known as the Mallory Tip Dresser.

## MONEY AND THE MARKETS

FINANCE • SECURITIES • COMMODITIES

### Steel News Pleases Traders

**Operations, at year's high, improve third-quarter earnings prospects. Forward buying in non-ferrous metals tempers optimism of producers.**

THIS HAS BEEN steel week, the week in which United States Steel heads a procession of steel companies making public quarterly reports. Steel week is always interesting. But this time it is more than ordinarily so—not because of the earnings which were reported for the three months ended June 30, but because of the prospects for the months to come.

There usually is a midsummer lull in the industry. In the hottest weeks the mills undertake to roll only enough steel to meet customers' urgent needs. But this week opened with the word that operations of the steel industry had bounced to the highest point since last November, topping 60% of capacity for the first time in 1939.

On its face, that's good news. Steel still bellwethers American industry. Yet this week's jump in operations is a little bit puzzling. Automobile companies aren't very good customers because they are at the point of changing models and many will be closed down during the next few weeks. Railroads aren't ordering much equipment because they are waiting to see what comes of this phase of the Administration's lend-spend program.

When the big industrial customers are not very prominent in the market, how does it come that the steel industry steps up operations? Primarily it appears that exceptional demand from miscellaneous sources—particularly jobbers who let their inventories run down—is behind the development. Moreover, it is likely that the companies are building their own inventories up somewhat in anticipation of pretty good orders over the next two or three months.

#### Other Lines Besides Steel Better

This better business, if it materializes, would give the steel companies pretty good profits in the third quarter. United States Steel, for example, earned a little over \$1,300,000 net profit in the second quarter at an average operating rate of 48.2% of capacity; the corporation made only \$660,551 on 51.7% operations in the initial three months of the year. And once the steel industry gets beyond the break-even point, earnings go up out of all proportions to the rise in volume of operations. Prices are more settled

than two months ago, which also helps.

Earnings from other lines of business have been making pretty good reading the last few days. Among the most striking gains are those in the field of building materials. For example, United States Gypsum reports net of \$2,127,161, the best second quarter since 1929, and comparing with \$1,492,871 for the same three months last year. Johns-Manville earned \$1,078,626 for the June 30 quarter against only \$214,578 last year.

Such showings, plus better-than-expected midsummer business, are big factors in the display of strength which the stock market has given this month. It accounts for the scant attention Wall Street lately has been paying to Europe. Hope is expressed that events abroad won't interrupt this trend, but it is to be borne in mind that England is giving every indication of expecting a showdown this fall.

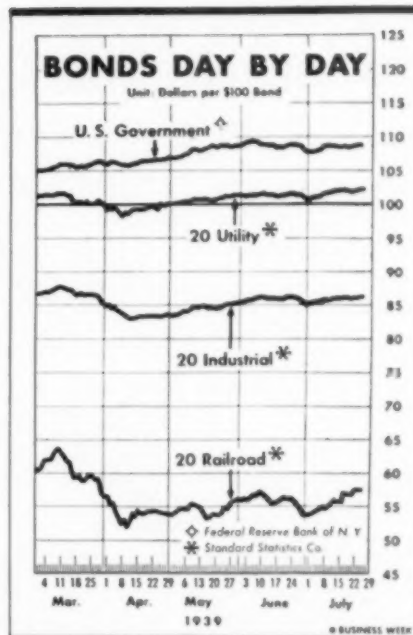
#### Will Later Buying Hold Up?

Wall Street may also be a little too optimistic on certain phases of the domestic outlook. There is talk of 11¢ copper before September. On the other hand, many consuming industries have covered their probable requirements well into November and there won't soon be any more buying on this month's scale—170,000-odd tons for July.

This week's excellent volume of orders in zinc also leaves something to be desired. Many of the purchases are for fourth-quarter delivery. That sort of forward buying will rob the market of much support if business doesn't measure up to expectations, particularly in view of the fact that there are large stocks of metals like copper and zinc above ground.

In farm commodities, cotton and wheat were the interesting performers. Wheat rallied somewhat from its low in a highly erratic market, but nearby futures in Chicago still are 15¢ to 18¢ below the government loan figure of about 80¢ a bu. Cotton attained new highs for the season when the trade began to talk about the 1½¢ a lb. export subsidy diverting so much cotton abroad that there might continue to be a pinch in domestic spot markets.





## "No" on Bond Bidding

McClintock's book argues against competitive sale of corporate securities.

CHANGE TO MOST people is abhorrent. So it has been to investment bankers who have for two years realized that they must face the issue of competitive bidding for corporate securities. Yet, for all that time, the arguments against change have been half logic and half the sentiment against change as such.

Now, however, there comes a study which largely spurns opposition for its own sake and undertakes to analyze the proposition comprehensively in the light of known facts on the investment banking business. Franklin T. McClintock of Harriman Ripley & Co., Inc. (one of the half dozen largest underwriting houses in the country), has gathered together the experience of his company and added to it all the readily available factual data on operations of other organizations.

### The Two Methods Compared

Harriman Ripley knows a good bit about competitive bidding. In five years the house has taken part in offerings of more than a billion dollars' worth of municipal bonds which were awarded through competition. Mr. McClintock has, in addition, analyzed the competitive awards of railroad equipment trust certificates. These competitive sales he compares with corporate new issues which are underwritten on the traditional basis of a continuing relationship between issuer and underwriter.

The analysis, embodying 70-odd pages, impels the author to conclusions which constitute the most comprehensive and

convincing job yet done in opposition to compulsory competitive bidding for corporate securities—conclusions which will arm Wall Street for any showdown which may come with Washington. Briefly, some of the important findings of the work are:

The small dealer would be largely frozen out of corporate financing and distribution would be less broad.

High-grade bonds would sell like hot cakes, corporations with poorer credit would have a hard time attracting bidders.

Big investors would get first choice of all offerings because the underwriters wouldn't pay dealers to distribute issues widely at retail.

The investment banker no longer would perform the valuable services he now renders his corporate clients.

Mr. McClintock feels that competitive bids at first would net corporate borrowers high prices, particularly in this super-strong bond market. He thinks, in fact, bids would be too high; that investors would be asked to pay too high a price, that underwriters would put their capital at great risk, and corporate borrowers would lose caste with investors who bought the bonds at too high prices and later watched them go down.

## FINANCIAL ANGLES

### Exchange Publicity

THE NEW YORK STOCK EXCHANGE's suggestion to member firms to advertise their wares (*BD—Apr 22 '39, p. 63*) has brought forth good response—from competing exchanges. This month the New York Curb Exchange placed its public relations

problems in the hands of one of the big financial advertising agencies. This week the Chicago Stock Exchange announced an advertising campaign to have Middle Western investors know of its existence, while the St. Louis Stock Exchange sought the same objective through creation of a new publicity department. Meanwhile the New York exchange, upon which is recorded the preponderance of security transactions, continued to court the public consciousness, by simplifying the financial condition statements of member firms.

### Gracious Broker

"WE UNDERSTAND perfectly your feeling that it is not practical for you to pay the \$2 monthly service charge which we find it necessary to impose," wrote Fenner & Beane to a female customer who closed out her account. "May we take this opportunity to express to you our appreciation for the business with which you have favored us in the past and to say that we sincerely hope you will not hesitate to call upon us in the event we can supply you with any brokerage service or information." Which is something of an object lesson entitled, "How to Lose a Customer Gracefully."

### Regulation of Dealers

THE LAST BIG FORMAL step in bringing the over-the-counter dealers together for self-regulation under the Maloney Act was taken at the close of last week. At that time the National Association of Securities Dealers, Inc. (successor to the Investment Bankers Conference) filed the first application for registration under the act. The association would divide the country into 14 districts for local self-regulation in the light of local investment dealers' problems. The N.A.S.D. starts

## A NEW WORLD'S RECORD ... made on the International All-Electric Writing Machine



Operating an International All-Electric Writing Machine, Miss Marjorie Eisenegger of Cleveland, Ohio, recently established a new world's record for transcribing copy from a dictating machine in competition. Miss Eisenegger averaged 101 words per minute for a 30-minute period. "The International," she states, "is the fastest machine and the easiest to operate I have ever used."

### INTERNATIONAL BUSINESS MACHINES CORPORATION

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What is the quickest way to get satisfactory results in selling by mail? There are established, well-nigh infallible methods—in the practices of leading mail-order concerns—copy appeals that have sold millions of dollars worth of merchandise—explicit details of mailing preparation and management grounded in innumerable tests—if you know what they are.



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## HOW TO SELL BY MAIL

By Earle A. Buckley

McGraw-Hill Practical Business Manuals, \$2.00

Here is a practical manual that outlines essential mail-selling methods. The author, a veteran direct-mail writer, tells you specifically and understandably what you want to know about getting direct orders for your product, *profitably*, by mail. The book gives you in the quickest way the facts you need to check your mail-selling methods and to adopt practices that will improve results.

### This book shows you:

- what products sell by mail
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- how to plan the campaign
- how to write effective sales letters
- what to put in the circular
- how to use reply cards and order forms
- how to make up lists
- etc., etc.

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out with a membership of about 1,600 firms. Big job is to bring roster up to about 2,500, at which, by the best present computations, the national organization will be self-supporting on the present schedule of fees.

### Ever-Normal Borrowing

THE COMMODITY CREDIT CORP. is a not unfamiliar borrower in the new-capital markets. The CCC makes the loans which enable the farmer to store the surpluses which fill the ever-normal granary which Wallace built. Thus the CCC's offering of \$200,000,000 of 2-year 5% notes this week once more emphasized the size to which the ever-normal granary has grown.

### The Price of Lard

LARD AND COTTONSEED OIL are the most important fats and oils from which the American farmer derives income. Thus, with prices of both around the lowest level of the last five years, Congress and the Department of Agriculture are convinced something has to be done to raise consumption (particularly as another big increase in lard production is forecast in the next 12 months). In Congress the most enthusiastic suggestions go even so far as recommendations that lard be bartered for German products—a proposal which would put the State Department into a monumental rage if it were taken seriously. More likely, Sec. Wallace will undertake to subsidize lard exports, and to boost home consumption by means of the varicolored surplus-for-relief tickets. Most attention centers on lard, because this fat has the cottonseed oil price by the coat tails.

### Bigger Flax Crop

WHEAT AND CORN aren't the only crops for which yields this year are expected to be excellent. Flaxseed, from which linseed oil is extracted for paints and varnishes, is another. This year's crop is estimated at 15,398,000 bu., 88% above last year (which, in itself, however, was a small one) and the best since 1930. Result has been a decline in price from \$2.01 per bu. in January to around \$1.58 this week. Nevertheless, this decline in price has put the domestic seed in better competitive position with the foreign product, as import figures show. During May, imports of flaxseed totaled some 1,200,000 bu., the smallest since July of last year.

### General Mills Reports

TO PUBLICIZE its annual report, General Mills, Inc., invited a group of financial writers to lunch at the India House in Hanover Square, New York, there hooked up a direct telephonic connection with James F. Bell, chairman of the board, sitting in his office in Minneapolis. The reporters were then permitted to ask Mr. Bell pertinent questions concerning the company, and his replies were amplified for all to hear. Compared with last year,

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## BUSINESS ABROAD

FOREIGN TRADE • INTERNATIONAL AFFAIRS • FOREIGN INDUSTRY

### Business Booms But Stocks Lag

Europe's recent frail political optimism is chilled by Far Eastern "Munich" and growing realization that Britain is determined soon to force a showdown on critical issues nearer home.

THOUGH THE GERMAN PRESS is jubilant over the British capitulation to Japan on the Tientsin issue (it's popularly called the "Far Eastern Munich" in Berlin), sober German observers look at the British retreat merely as another indication that Britain is resolved to keep her hands free to concentrate every effort on an imminent and far more important showdown in Europe.

British war precautions multiply, de-

spite the comparative calm of the last few months. Steel production is hovering around an all time high. Airplane output is reported to be equal to Germany's, and the British are supplementing this with shipments from the United States to make up for tardiness in getting under way with a preparedness program. First of the \$10,000,000 worth of heavy bombers being built in Canada on order from London are to be flown across the Atlantic for delivery before the end of this year, and more orders will be placed in the Dominion.

Emergency food reserves in Britain are known to be fairly large. Dramatic evidence was produced this week when the British admitted that home elevators were full (mostly Argentine and Australian wheat which it might be difficult to convoy all the way to Britain in an emergency) and ordered that Canadian wheat be purchased at present low prices and stored at elevators along the East coast.

#### Can Pressure Be Eased?

Question in Europe is whether Britain feels strong enough to offer some sizable economic concessions to the Axis powers now and yet be in a position to see that nothing is grabbed beyond what is offered. Both London and Paris are ready to admit that present tensions will not be effectively removed until some plan is evolved to equalize economic resources and markets, but both are doubtful that present governments can work out a peaceful solution. There is distinctly less optimism over the late summer political outlook in Europe than in the United States.

Business, however, is making continuing progress, with its tremendous backlog of government orders. Industrial activity in Britain is 8% ahead of a year ago. Exports are rising, but not as fast as imports. In the heavy industries, Britain is already making inquiries abroad for materials which overcrowded home plants probably will not be able to handle by the end of the year. But the black cloud of international politics keeps stock market prices well below year-ago levels.

French recovery is making much bet-

the lunch was good, the report better. Net income increased from \$4,110,631 to \$6,451,226, due materially, Mr. Bell explained, to "an unusual combination of favorable conditions." With \$1,695,000 recovered in processing taxes (due to the invalidation of the first Agricultural Adjustment Act) and an almost equal amount chipped in from surplus, the company is setting up a new pension system for employees, subject to the approval of stockholders.

#### Government Debt

PROBABLY THE MOST widely known phase of federal finance is the unprecedented federal debt. Yet, between 1932 and 1937, despite a \$13,100,000,000 increase in federal obligations, municipal debt declined almost \$3,145,000,000 (from \$15,215,881,000 to \$12,071,010,000), while state debt increased but \$168,743,000 (from \$2,360,958,000 to \$2,529,701,000), a survey by the Federation of Tax Administrators shows. During the last quarter century, the survey further reveals, the federal government displaced municipalities as the chief governmental debtor. Between 1912 and 1937, the total public debt—federal, state, and local—increased tenfold, from \$4,850,460,000 to \$49,549,533,000.

#### Latex Lacking

EVERY SO OFTEN the demand for latex (liquid crude rubber) outruns supply in this country, and the spread between that and the coarser ribbed smoked sheet rubber widens. Right now this is so. A better demand for latex (caused by automotive demand for sponge rubber to be used in seat cushions, as insulation, and to prevent vibration) has tightened the market supply and increased the price spread from 2½¢ to 5¢ per lb. Imports of latex for the first six months of the year came to 9,309 tons, against 5,546 last year.

#### Policyholder or Company?

WHEN AN INSURANCE company changes its setup from a mutual to a stock company, to whom does the surplus (at the time the change takes place) belong? That question will soon be at issue when a suit filed in Springfield, Ill., by 600 policyholders of the Franklin Life Insurance Co., comes to trial. These 600 people were mutual policyholders in the company in 1910, when it converted into a stock company. (Previously, the company, which originally set out as a mutual association, had merged with another, but continued to write mutual policies; in 1910 it ceased that practice entirely, but permitted its mutual policies to remain in force.) At the time of the switch, these policyholders contend, there was \$500,000 surplus in the company's treasury, which rightfully belonged to them, but which was subsequently paid out to officers and stockholders of the new company. The suit asks for a judgment and accounting of \$1,800,000.

#### New Liaison Officer



Harris & Ewing

George Wythe, former chief of the Latin-American division of the Bureau of Foreign and Domestic Commerce, moved up to a new job this week. Duties of the Bureau have been split. The 118 men who live abroad and report home on foreign business have been transferred to the State Department. The 600 Bureau employees who work at home analyzing these reports and passing the information along to American business remain in the Department of Commerce. Wythe's new duties are to coordinate the work of these two groups.



ter progress than at the beginning of the year. Industrial production is 18% greater than a year ago, and exports are up 20%. Biggest production gains have been made in the iron (55%) and steel (60%) industries, but coal output is also up 13%. Effect on the government revenue is pronounced. Tax receipts for June are 33% greater than they were a year ago, and the franc continues to be strong.

German industrial activity is pushing ahead, but the effort is on heavy industry—once again "guns before butter." Since April there has been a fresh decline in the output of the light industries, and the shortage of timber and bricks is forcing the curtailment of some construction projects.

### Japan Operates Far East Lever

Japan will not be satisfied for long with the concessions wrung from the British last week. Aim of Tokyo is to clear the Western nations out of China, and Nipponese officials are simply making the most of the opportunity when Britain is obviously concentrating all attention on Europe. The only country which could effectively force a showdown on the issue with Japan now is the United States. Official Japanese observers are in this country watching Washington and public reaction to each new development, just as German authorities have watched European and American reaction to each new expansion move in the pattern which was laid down by Hitler in the Nazi Koran, "Mein Kampf."

### Watch the Danube

BERLIN (Cable)—Germany is concentrating this year all its energies in establishing a base near its southeastern borders from which it can command the rich resources in the Balkans in case of emergency, just as a year ago it centered all its energies on the fortifications along the French frontier. (It has just been revealed that one-third of Germany's entire cement production last year was consumed in these new underground strongholds, despite the urgent demand for cement in the roadbuilding and huge public works projects.) Germany is determined to make herself blockade proof by making the route to southeastern Europe safe from outside attack (great fear now is that France could cut off southern Italy and throttle imports through Trieste) and by establishing fast means of communications southeast toward the Balkans and the Dardanelles.

A second part of the project of assuring Germany supplies of food and raw materials is the development in Bulgaria and Rumania of the kind of farming which will supplement Germany's home production. By buying certain products at well above world prices, and by con-

tracting for all of the production of those items that Germany needs to secure from sources as near home as possible, the Reich is changing the character of the farm life of this part of the world. German agronomists are busy working with the peasants of this region, and German agents are at hand with credits to help finance the farmer until he can complete the shift from his old routine.

More than a year ago, Germans succeeded in getting the majority of the farmers in whole sections of the country near the Black Sea to turn to the cultivation of soy beans. Modern implements were supplied, and the farmer was guaranteed a market.

Recently this technique has been applied to other lines, and German thoroughness has not only brought about a shift in the kind of farming in the region, but successfully boosted the output through the scientific application of fertilizers and greater use of mechanized tools.

Whatever the fate of Danzig, Germany will continue to devote a good deal of attention to this part of the world, and it will surprise few Germans if there is an intensification of diplomatic and economic activity along the Danube in both

Hungary and Yugoslavia in the near future, just as the Axis is fortifying its hold on the upper Adriatic around Trieste.

### Outlook in France

PARIS (Wireless)—France considers it significant that Britain accepted Japan's terms in the Tientsin negotiations. To Paris, this means that London is determined to be in the strongest possible position at home for showdown negotiations with the Axis in the near future. Russia's refusal to accept Chamberlain's plans for a hard-and-fast pact (while never really expected by the French) probably influenced Tokyo negotiations.

Plans of the French Ford company to manufacture Rolls Royce engines for the French air forces were widely publicised this week in Paris (*BW—Jul 15 '39, p. 48*), and fitted into general reports that French armament activity is picking up momentum rapidly. Steel production is 60% above the figure for a year ago, and government expenditure for heavy arms orders is mounting each month. As in England, the stock market does not reflect the greater business activity and potential earning power of industry.

## Dominion Hums With War Orders

Refugees set up shoe factories and other establishments, and British government issues big contracts for various military materials.

OTTAWA (Business Week Bureau)—There is excitement along the Lakes and the St. Lawrence, and there's a bustle of new construction at a dozen population centers from little Fort Erie opposite Buffalo to teeming Montreal. Smoke from roaring steel mills hangs over Sydney, far out near the easternmost tip of Nova Scotia, and there is a steady string of freighters at its dingy wharves loading iron and steel for Britain.

New business is coming to the Dominion this year on a scale not familiar since the World War days. Part of it is refugee industry fleeing from Europe, and part of it is war business from England. Millions are being spent on new factories, or plant extensions, and hundreds of jobless workers are again finding employment. And in Europe, dozens of established Canadian agents are sifting the applications of prospective immigrants to find those who have a trading proposition and a little capital. Canada is not only ready to welcome people who will help build up the country: Canada is going after them.

The refugee industries are scattering all the way across the continent to Vancouver, some of them seeking supplies of special raw materials, others settling down where there is an abundance of

labor. Some are starting business on a big scale (the world famous Bata shoe interests from Czechoslovakia will employ 1,500 within a year at their new plant on the shore of Lake Ontario at Frankford); others will start on a modest scale, employing 25 to 50 people. Between \$25,000,000 and \$50,000,000 of capital has already been brought in by these exiles for investment in their own enterprises, and a dozen additional projects are under consideration in Ottawa.

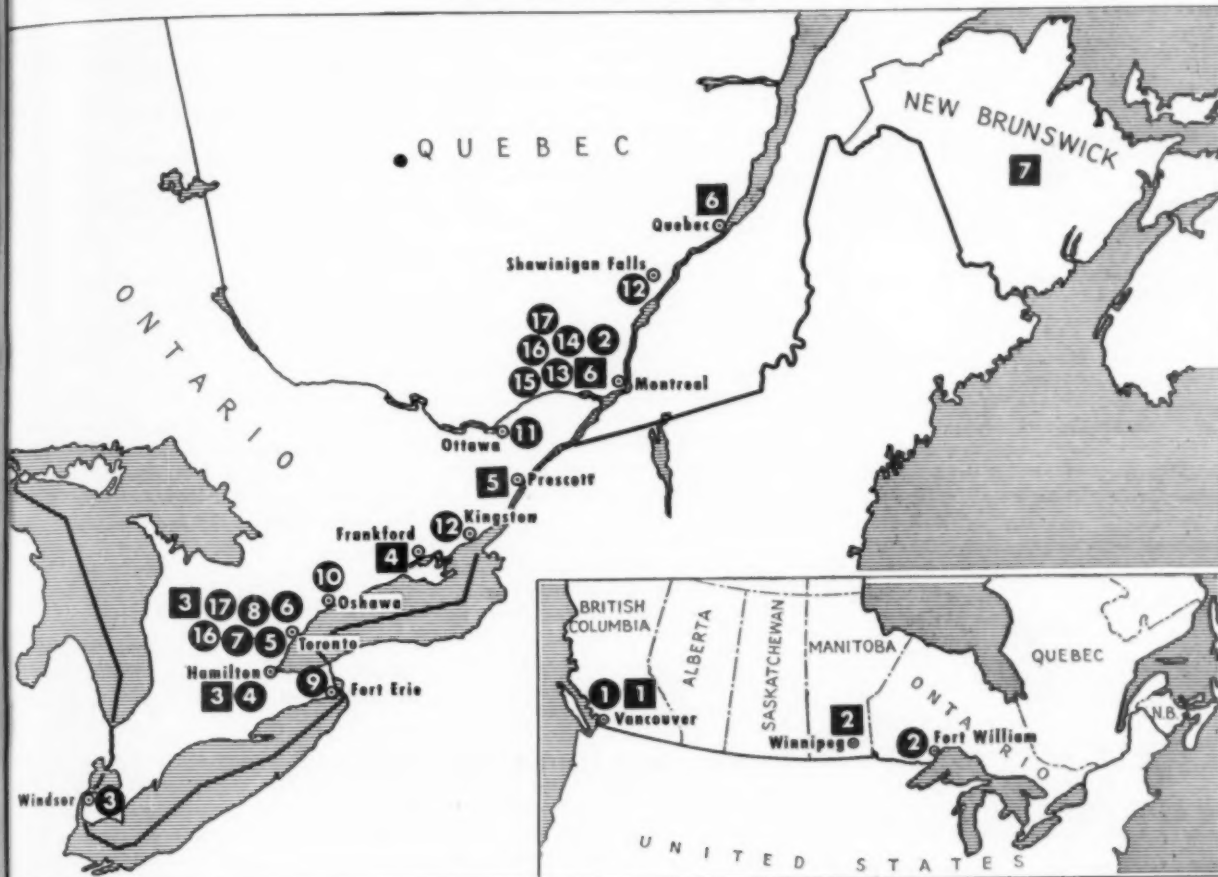
Most of the workers in the new industries will be Canadians, though many of the new proprietors are demanding that they be allowed to bring into the country with them a small nucleus of skilled workers from their former factories to train new employees and supervise production.

### 1,000 Will Get Jobs Here

Ontario and Quebec are getting most of the new industries because they have a wealth of labor, ready access to raw materials, and good transportation facilities. Nevertheless British Columbia, where there is an abundant supply of pulp wood, is the home of the new \$3,000,000 factory for Vancouver Rayon Silks Ltd., which occupies 32 acres of waterfront and draws on the British Columbia Pulp & Paper

## NEW BUSINESS COMES TO CANADA

Capital and industry, fleeing from unsettled Europe, are settling in Canada, while bustling rearmament in Britain and at home has brought a wave of new orders to the Dominion's heavy industries



### NEW INDUSTRIES FROM EUROPE

- 1 Rayon, plastics, other wood pulp products  
*Vancouver Rayon Silks, Ltd.\**
- 2 Beet Sugar Refining  
*Arthur Flagenheimer Interests\**
- 3 Glassware, Airplane Silk
- 4 Shoes  
*Bata, Inc.\**
- 5 Gloves  
*Charles Fischl\**
- 6 Pottery and textile industries
- 7 Brewers' vat linings, and other wood product industries

\* Largest single project

### INDUSTRIES HANDLING WAR ORDERS

- 1 Boeing Aircraft
- 2 Canadian Car & Foundry (airplanes)
- 3 Ford of Canada (military transport)
- 4 National Steel Car (airplanes, shells)
- 5 DeHaviland (airplanes)
- 6 John Inglis Co. (machine guns)
- 7 John J. Hepburn Co. (military transport)
- 8 Canadian General Electric Co. (searchlights)
- 9 Fleet Aircraft
- 10 General Motors (military transport)
- 11 Ottawa Car Manufacturing Co. (airplanes)
- 12 Aluminum Co. of Canada
- 13 Canadian Vickers (airplanes)
- 14 Fairchild (airplanes)
- 15 Noorduynd Aircraft, Ltd.
- 16 Various explosives manufacturers
- 17 Canadian Associated Aircraft (airplane assembly)

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Co. for raw materials. More than 1,000 workers will be employed in this plant.

In New Brunswick, where there are also abundant supplies of wood pulp, a refugee with a specialized process for making linings for brewer's vats from wood pulp has set up shop.

Albert Flagenheimer is heading a group which will build a \$2,000,000 beet sugar refinery in the Red River Valley of Manitoba. He already owns 25 sugar refineries and four distilleries in Germany, Italy, Belgium, Bulgaria, and Rumania.

Gloves, formerly supplied to Canada's great department stores—Eaton's, Simpson's, and Morgan's—from the large Fischl plant at Karlovy Vary, in Czechoslovakia, will soon be made at Prescott, Que., where the Fischl interests will also develop goat farming on a large scale to supply their own raw materials.

An art-pottery maker whose wares were shipped from Europe to many parts of the world has found the right kind of clay for raw material near Montreal and will establish a pottery there. Art glass

will be manufactured in the Niagara peninsula, from sand shipped by water from Michigan.

A group made up mostly of Poles are investing \$150,000 in a plant at Huntington, Que., where they will manufacture woolen goods of the sort now imported almost exclusively from Italy. Their factory will employ 200 workers, all Canadians except six or eight key workers who have come from Europe.

A Belgian industrialist, Georges L'Hoire, is planning to make aluminum

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cooking utensils in a new plant at Levis, Quebec.

Potentially the largest project is the Bata shoe factory which is being built now at Frankford, Ont. The start is modest, but it is believed that more than 1,500 workers will be employed by the end of the year, and that eventually the plant will employ 2,500. All of the capital has been supplied by the vast Bata interests whose headquarters are still theoretically at Zlin, Czechoslovakia, where the company was turning out 200,000 pairs of shoes a day at the time Czechoslovakia was incorporated into Germany. Bata is also building a large new factory in the United States at Belcamp, Md.

### Arms Drive Stimulates Industry

In contrast with these refugee industries which are permanent, Canada is also profiting temporarily from Britain's massive rearmament program. Steel mills along the East Coast have already received large orders which Britain's overworked steel industry can no longer supply, and the first Canadian-made bombers for the British military services will be flown to Europe this fall.

Canadian Associated Aircraft is building two assembly plants, each at a cost of \$1,000,000, near Toronto and Montreal where parts produced for them by Fleet Aircraft (Fort Erie), National Steel Car (Toronto), Canadian Car & Foundry (Montreal and Fort William), Ottawa Car Manufacturing Co. (Ottawa), Canadian Vickers (Montreal), and Fairchild Aviation (Montreal) will be assembled. This company has almost completed an initial \$10,000,000 British order for heavy bombing planes, and a second large order for another type of plane is expected before fall.

Aluminum Co. of Canada, a subsidiary of Aluminium Ltd., is building a new plant at Kingston, Ont., and enlarging its factories at Shawinigan Falls and Arvida, Que., to make special material for British aircraft manufacturers. Plant extensions, already under way, will cost \$10,000,000.

General Motors and Ford (Windsor) have orders for transport equipment for the British and Canadian general staffs, and Canadian General Electric (Toronto) has a \$2,000,000 order for searchlight equipment.

### Storage Space Prepared

Grain elevator owners saw themselves pulled into the new business tide this week when the British issued orders through the War Office to contract for grain storage space along Canada's eastern seaboard. Home elevator capacity is exhausted.

Dominion executives are as aggressively after this business as the country as a whole is working to attract the right kind of refugee industries. Executives of the great steel mills and the heavy industries which are equipped to turn out war supplies are virtually commuting between

Montreal and London. Apparently the British War Office is up to its neck in the business and the Canadians have found that the most effective way to get new business is to go to London, get hold of a War Office official, plunk a proposition in front of him, and get his signature on the dotted line.

France has recently loomed up as another big overseas market. Schneider-Creusot armament interests have been carrying on negotiations for months with Marine Industries, Ltd., but so far no contract is known to have been made for the manufacture of munitions on license and on order from France, though Canadian leaders in the Montreal area confidently expect that this is in the cards.

With plenty of surplus plant capacity, large numbers of skilled workers, excellent water transport facilities, and comparative freedom from air attack, Dominion leaders believe they can build this new emergency war business far beyond its present proportions. With factories already humming and much prospective business virtually booked, Canada is getting increasingly enthusiastic over the business outlook.

## Woolworth Rival

British co-op plans variety chain in Woolworth field, but abandons standard dividend idea.

WITHIN 18 MONTHS, the Cooperative Wholesale Society of Great Britain, central distributor and manufacturer for about 1,200 local societies, will enter the limited price variety field by opening 12 stores. C.W.S.' object is to secure a share of the large profits on the \$300,000,000 annual turnover in the variety business and to protect its local affiliates from a particularly severe form of competition. Its principal rival will be the American-owned F. W. Woolworth & Co., Ltd., with 750 stores which last year earned in the neighborhood of \$5,000,000 on a \$36,000,000 gross income.

Prices in the cooperative variety stores—the English call them "bazaars"—will range from 3 pence (5¢) to 5 shillings (\$1.25). Plans up for approval before the board of the C.W.S. this week call for abandonment of the traditional cooperative concept of local control and dividends on purchases. Capital up to \$6,500,000 will come from the C.W.S. reserves, and its board of directors will control store management. Profits may be used for educational purposes.

Some local cooperatives oppose the plan. They feel that the "bazaar" shops may compete for their local trade in the same manner as F. W. Woolworth and Marks & Spencer (250 stores selling at 25¢–\$1.25), the other principal variety chain. Moreover, competition with the private chains will be on a purely price basis since there will be no dividends.



## THE TRADING POST

### Truth in Advertising

AN ultra-candid liquor store in Dallas, displays in its window a brilliant neon sign which reads: "Good and Bad Liquors." I've seen equally frank signs advertising other kinds of business. But what bothers me in this case is the casual admission that there are "bad" liquors. That's a bit of a facer. It used to be said, you know, that some liquors were better than others but there just couldn't be a "bad" liquor. What's happened to those Texans? Gone soft?

### Spending Pressure

SPEAKING recently to the American Waterworks Association, Carl H. Chatters, executive director of the Municipal Finance Officers Association, titled his address, "Recovering from the Recovery Program."

"The relief and recovery programs of the federal government," he said, "have kept people from starving or rioting. But the attempts at recovery have not remedied unemployment. The balance between agriculture, industry and labor has not been attained or even approached. Far too many contradictions and inconsistencies in the program appear to nullify each other. On the other side many of the broad objectives of the new legislation are highly desirable but need to be refined from an administrative standpoint."

"Organized minorities have too much influence for the general good. From an economic system governed by the competitive price system, we have gone to a political system governed by political pressure. The power of pressure groups grows in part from the degeneration of the elected representative bodies; city councils, state legislature and the national congress. The fact that groups, not individuals, have become important accounts for the lack of leadership."

"Financial programs have been changing our political structure," Mr. Chatters continued. "The 'bait' offered by the federal government practically forces each state to adopt particular social welfare programs or become ineligible for government grants. The federal government, controlling the relief purse, tells the states and local governments how much they may have for relief and what they must do to get it. Municipalities and counties, hurdling their state governments, appeal directly to the federal government for aid. Many states have received from the emergency relief appropriations alone more money than the state itself has raised for all state purposes. If the tide of centralization cannot be turned, bulwarks should be erected to prevent its further onrushes."

The italics are Mr. Chatters' own. And what he says is sharply pointed up by the recent appeal, directed by the president of the New York Municipal Service Commission to some 5,000 social workers, in convention assembled, that they go into politics in order to promote the "welfare" movement. Other speakers urged the same course. And they urge this activity at this time specifically because of the rising concern over the amount and application of relief spending.


It may be that in the course of this convention of social workers, something was said as to the sources of the funds they would have to finance even greater welfare activities. Or about the waste and political racketeering that might well be purged from the administration of public welfare. If so, it was not given very widespread publicity. And that is unfortunate. For the impression is left with the average man that these social workers, as professional spenders, are interested only in getting more and more money to spend and that they feel no responsibility either for the health of the economic system that must provide it or the political abuses that so easily creep into its spending, especially when so much of it is disbursed through agencies under political control.

That social workers want more money to spend is not news. It would make real news if they would organize to fight for policies that would conserve the sources of those funds and for less politics in their administration. Those whose labor must provide the wherewithal would feel a lot more sympathetically toward the problems and the needs of those who spend it, if they could detect amongst the latter some militant concern as to their own problems and needs. For after all, the needs of the so-called underprivileged can be met only in proportion as the more fortunate are able to take care of themselves and a little more besides.

### Timing

THE other day, one of the men who has done a good job in the field of public relations tried to reduce his craft to one simple precept. Good public relations, he said, is a matter of doing the right thing with the right people at the right time—and the right time is before you're forced to do it. To which it might be added that the men who follow such an active, thoughtful course seem never to be "forced" to do anything. The stitch-in-time policy removes the causes of disruption, provides the machinery for human agreement, prevents the bitter crises from ever arising.

W.T.C.



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# BUSINESS WEEK

*The Journal of Business News and Interpretation*

July 29, 1939

## Patent Reforms—and Headaches

THE PATENT OFFICE, the Temporary National Economic (monopoly) Committee, and the Department of Justice have agreed on a program of basic changes in the patent laws. Several of the procedural changes recommended by the Patent Office (*BW—Jun 17 '39, p 29*) may get through this session of Congress. The more sweeping recommendations of the Department of Justice and TNEC (*BW—Jul 22 '39, p 15*) face serious objections on which there should be more time for argument.

The Administration feels that present laws permit patent holders and licensees to exercise an undue control over prices, volume of production, area of production and sale, and the use to which a patent may be put. But even if many lawyers and lay students of patent matters are wrong in their insistence that the courts have so nicely interpreted the whole subject that legislative alteration is undesirable, there is still a strong probability that, in their zeal for reform, the New Deal's experts have made some mistakes.

Two of their recommendations would prohibit anyone from granting a patent right or license or from dealing in articles made under a patent if the arrangement carried any restrictions as to (1) amount of production, (2) resale price, (3) purpose or manner of use, (4) area of production or sale, or as to (5) other phases of operation under the patent, unless restrictions under the fifth heading can be proved to promote science and the useful arts.

These prohibitions aim at preventing a patent-holder from regulating the operations of the industry which he licenses. Specifically No. 3 prevents him from issuing a license which restricts the licensee's use of the patent to manufacture articles other than those made by the licensor. For example, an aircraft manufacturer who, at considerable expense, develops a new principle in engines that happens to be of immense value to the automotive industry, is stopped from licensing a car maker with the restriction that the licensee may not compete on aircraft engines. Under the circumstances, he is likely to keep his rights to himself—which, broadly, TNEC asserts is O.K., but which works in the direction of depriving other industries of the use of inventions they may badly need and for which they could, at present, easily get a license.

This seems to be encouragement of a "compulsory shelving" of patents, which neither TNEC nor anyone else would think of as progress. Incidentally, it is something on which Congress is likely to hear a good

deal from little business men who may be more concerned about competition—and about opportunities to earn royalties—than the big fellows.

ANOTHER recommendation for patent law changes is that patent infringement suits shall not be brought against the purchaser or lessee of an article until after successful infringement suit against the seller or lessor. This appears sound because it aims to outlaw nuisance suits against purchaser or lessee which are brought purely in order to harass the seller or lessor.

However, the recommendation would also prohibit an infringement suit against a licensee until after successful infringement suit against his licensor. Patent lawyers think this will be deleted when the legislators are brought to face the legal position that a license is a mere licensor's waiver of right to sue the licensee, and its granting is no infringement of any one else's patent.

In practice, suppose X finds his patent infringed by manufacturer A's product which A happens to make under several licenses—say from L, M, and N. None of the three licensors forces A to infringe X's patent, however; A does this quite alone. Is X, then, obliged to bring three suits—against L, M, and N, against none of whom he has a real case—before suing A who is the actual infringer? The "horrible examples" which stirred the law-drafters to this recommendation probably all involve sale or lease more than licensing and the first part of the recommendation should be ample to cope with the problems they raise.

TNEC has made it clear that its recommendations should not upset existing commitments, though they would apply to extensions, renewals, or modifications. At least, the legal headaches are not to be ushered in en masse. They will be fewer if Congress takes time to think the recommendations over and get advice on them. Sound patent reform is nothing for the session's end rush.

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